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[CLICK HERE FOR AUDITOR-CONTROLLER'S REVIEW DATED 8-25-06](#)



Health Services
LOS ANGELES COUNTY

**Los Angeles County
Board of Supervisors**

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Second District

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Michael D. Antonovich
Fifth District

August 29, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**MEDICAL SCHOOL AFFILIATION AGREEMENT
BETWEEN THE COUNTY OF LOS ANGELES AND
THE UNIVERSITY OF SOUTHERN CALIFORNIA**
(First District) (3 votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Mayor of the Board of Supervisors, or his designee, to sign the attached Agreement with the University of Southern California for the provision of medical education and certain patient care services at LAC+USC Medical Center, effective August 1, 2006 through June 30, 2011. The maximum annual County obligation in Fiscal Year 2006-07 under this Agreement will be \$80,243,160 pro-rated and \$80,751,967 annualized.
2. Approve the one-time retroactive payment of \$1,070,000 for Purchased Clinical and Academic Services pertaining to Fiscal Year 2005-06.
3. Make a finding that the patient care services, as described herein, can be performed more economically by contracting with the private sector.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

In approving this action, the Board is authorizing the Mayor of the Board of Supervisors, or his designee, to sign an Agreement with the University of Southern California (USC or University) for the provision of medical education and certain patient care at LAC+USC Medical Center (LAC+USC) for the period August 1, 2006 through June 30, 2011, for a maximum annual County obligation in Fiscal Year 2006-07 of \$80,243,160 pro-rated and \$80,751,967 annualized.

This new Agreement has been designed to put into place clear requirements and principles of accountability for the medical school with regard to purchased services. This Agreement replaces the prior October 2000 Agreement (No. H-211755) and subsequent Amendments Nos. 1 and 2.

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FISCAL IMPACT/FINANCING:

The current contract maximum obligation is \$73,076,000. The maximum County obligation under the proposed Agreement, on an annual basis, is \$80,751,967. However, since certain contract revisions are pro-rated to an effective date of August 1, 2006, the pro-rated maximum County obligation under the proposed Agreement in Fiscal Year 2006-07 will be \$80,243,160. In addition, the proposed Agreement includes provisions for a one-time retroactive payment of \$1,070,000 for additional necessary purchased services in Fiscal Year 2005-06, as well as a reduction of \$375,000 for reduced services purchased under the "Employee Health" contract provision in Fiscal Year 2005-06 (which has already been withheld from payments under the current contract maximum). Accordingly, the proposed Agreement results in contractual increases over the current contract maximum obligation totaling \$695,000 for Fiscal Year 2005-06 and \$7,167,160 for Fiscal Year 2006-07.

A portion of the \$7,167,160 in total Fiscal Year 2006-07 contract provisions will not require additional net funding in the Fiscal Year 2006-07 Budget. The "Attrition" provision of \$485,840 will be funded by surplus Salaries and Employee Benefits due to the departure or retirement of Department of Health Services' (DHS or Department) employed physicians. The newly proposed "Teaching Hospitalists" provision of \$2,000,000 has already been incorporated into the Fiscal Year 2006-07 Board Adopted Budget, based on the annual need anticipated at the time of the DHS' budget request. However, the "Employee Health" provision of \$500,000, formerly provided by USC, is no longer included in the proposed Agreement but will be provided by other vendors; accordingly, this amount is not available to fund the other provisions in Fiscal Year 2006-07. As a result, the additional net funding required for Fiscal Year 2006-07 is \$5,181,320. The additional net funding will be included in the Department's Fiscal Year 2006-07 Supplemental Budget and will be requested in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The first medical school operation agreement dates back to 1987 for the provision of patient care and medical education services. The manner in which medical education and patient care is provided changed since the first agreement and the Department entered into the current Agreement with USC effective October 2000. The initial term of the Agreement was five years (expiration June 30, 2005) with a one-year automatic extension at the end of each contract year, unless either party served notice of non-renewal, in which case the Agreement would expire five years hence. The term and one-year automatic extension provision continue in this proposed Agreement. Amendments Nos. 1 and 2 revised the nature and volume of purchased services to reflect the changes in the training programs and incorporated new County contract provisions.

To avoid the need to renegotiate the entire Agreement each year, those provisions that are likely to change on an annual basis are contained in either addenda or exhibits to the Agreement. Any material or substantive changes to either the Agreement in whole or to the addenda, particularly with regard to the level of funding, require approval by the Board of Supervisors. A summary of the changes in the exhibits and addenda is outlined below:

CONTRACT PROVISIONS	FY 2005-06	FY 2006-07	FY 2006-07 Annual
Current contract maximum obligation	\$73,076,000	\$73,076,000	\$73,076,000
Attrition (services to cover for departure or retirement of DHS employed physicians at LAC+USC MC)		\$485,840	\$530,000
Fringe Benefits (increase rate from 30 to 32%)		\$880,070	\$960,067
COLA (2.5%)		\$1,674,660	\$1,826,900
Teaching Hospitalists (10 FTEs including 1 FTE Director ICU/Hospitalist)		\$1,833,340	\$2,000,000
ACGME required core and subspecialty Internal Medicine Program Directors and Associate Program Directors (3 FTEs)		\$458,340	\$500,000
ACGME required Otolaryngology (1 FTE)		\$242,000	\$264,000
ACGME required Emergency Room physicians (5 FTEs)	\$990,000	\$990,000	\$990,000
Director of Quality Management stipend	\$80,000	\$80,000	\$80,000
Faculty Teaching Incentive Fund		\$22,910	\$25,000
Management Performance		\$1,000,000	\$1,000,000
Deduction: Employee Health	(\$375,000)	(\$500,000)	(\$500,000)
Total	\$73,771,000	\$80,243,160	\$80,751,967

Retroactivity

Of the Fiscal Year 2005-06 supplemental services listed above, the Department is recommending that two components be retroactive to July 2005: the ACGME Emergency Room Physicians (\$990,000) and the Quality Management supplement (\$80,000). The remaining supplemental services are effective August 1, 2006. The University advanced the ACGME Emergency Room funding to prevent the Emergency Room training program from being placed on probation by the ACGME. The program had been placed on proposed probation by the ACGME. Through the combined efforts of the County and University, the program was removed from proposed probation and fully accredited in December 2005. That outcome would not have been possible without the investment in the additional faculty by the University. Additionally, the Director of Quality Management was recruited in February 2005. The Department recommends that the University be compensated for her stipend retroactive to July 2005.

IDX System Implementation

This Agreement stipulates that the University and the County will work to implement an information software system (IDX System) at the LAC+USC Healthcare Network to facilitate the input and collection of service data by physicians working at the facility. The Department believes that reports generated by this IDX System will enhance physician accountability and will provide valuable management information.

Employee Health Services

As of October 1, 2005, LAC+USC no longer obtains employee health services through this Affiliation Agreement. Instead, employee health services are provided by other vendors. Accordingly, the \$375,000 pro-rata share of that provision was withheld from base contract payments to USC in Fiscal Year 2005-06, and the \$500,000 annual total for that provision will no longer be included in the proposed Agreement for Fiscal Year 2006-07.

PERFORMANCE AND PRODUCTIVITY:

Academic Purchased Services

The University provides academic purchased services under the Agreement. Academic activities are measurable and can be monitored with contract reporting requirements. The University will submit regular reports that track residency program size and ACGME accreditation status, compliance with ACGME institutional requirements, and corresponding corrective action plans. Performance guarantees were developed to encourage the ongoing quality of reporting accountability.

A Faculty Teaching Incentive Fund will be established to recognize excellence in teaching. Faculty awardees and the amount of the awards will be determined by the Faculty Joint Planning and Operations Committee based on written criteria to be jointly developed by University and County. The parties agree to equally finance the incentive fund contributions each year, with the University and the County each contributing \$25,000.

Clinical Purchased Services

Hospital Performance Goals have been established that require the University and Hospital to work cooperatively to transition to a new acute care facility. A Teaching Hospitalist Program will be established to assist with the achievement of Hospital Performance Goals during the transition. Goals have been set for: a) the reduction of the average length of stay (ALOS), b) the achievement of budgeting and staffing for Hospital admissions volume of 40,000, and c) achievement of the reduction of non-psychiatric Hospital Emergency Room boarding time. If the County has satisfied all of its obligations under the Agreement, the University agrees to compensate the County for failure to achieve performance targets attributable solely to acts or omissions of the University with respect to its obligations under the Agreement, in an amount equal to five percent (5%) of the contract maximum obligation.

To the extent there is any dispute as to whether the County or University has complied with the terms of these contract obligations, the matter must be submitted to an arbitration proceeding. The decision of the arbitrator with regard to these Hospital Performance Goals shall be final and binding on both the County and University.

A Management Performance Plan for Service Chiefs will be established to encourage improvements in Hospital utilization performance and clinical quality performance. Financial incentives will be awarded to University's Service Chiefs and Program Medical Service Directors for exceeding target goals. Clinical performance goals and the criteria for incentive fund awards will be jointly developed by the County and University. The County will fund the Management Performance Plan through an initial

contribution of \$1,000,000 to a separate account established for such purpose. Any contribution in future years will be subject to negotiation and will be set forth in Addendum A.

At the request of the County, University representatives will meet with the hospital CEO to review non-redacted annual Faculty compensation reports reflecting the allocation of the aggregate compensation paid to the University for the funding of individual Faculty members. The purpose of the review is to facilitate discussions between the parties with respect to programmatic needs.

TERM AND TERMINATION:

The initial term of the new Agreement is 5 years, with a one-year automatic extension at the end of each contract year, unless either party serves notice of non-renewal, in which case the Agreement would expire 5 years hence.

CONTRACTING PROCESS:

Because this Agreement is a renegotiation of an existing Agreement between the County and the University and the services are specific to the University, the Department did not advertise this Agreement on the Los Angeles County Online Web Site. Additionally, given the nature and scope of the services provided by the University under the Agreement, as well as the historic relationship between the County and the University, the Department determined it was not feasible to competitively bid this contract.

Living Wage Program and Proposition A

County Counsel has advised that Proposition A does not apply to contracts for academic services. Therefore, the portions of the Agreement relating to academic services are not governed by Proposition A. However, it has been determined that the clinical services at LAC+USC fall under Proposition A guidelines. As a result, the Auditor-Controller's Audit Division has reviewed and approved the Department's determination that the incremental costs of clinical services since the last Board approved agreement are cost effective.

Since the majority of this Agreement is governed by Proposition A, it would normally include the Living Wage Program's contract implementation language and incorporate by reference sections 2.201.010 through 2.201.100 of the Los Angeles County Code. The University has refused to agree to a contract that includes the County's contract language implementing the Living Wage Program. Without this contract language, the agreement is not subject to the provisions of the Living Wage Ordinance.

Since the University is a non-profit corporation qualified under Internal Revenue Code Section 501(c) (3), it would qualify for an exemption from the Living Wage Program if the contract language was included and University applied for an exemption. Even though the University will not agree to the inclusion of the Living Wage Program's contract implementation language in this Agreement, they have agreed to apply for an exemption from the program based on their non-profit status. They have also agreed to advise the Board of Supervisors by letter annually that all full-time employees paid through this Agreement were paid no less than the minimum wages set forth by the program. For this reason, the Department recommends the agreement be approved without the provisions of the Living Wage Program.

The Honorable Board of Supervisors
August 29, 2006
Page 6

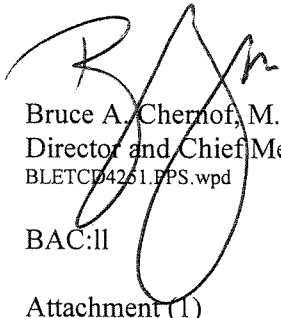
However, if the University loses its non-profit status and no longer qualifies for an exemption, since the agreement does not contain the provisions of the Living Wage Program, County would not be able to require compliance with the Program if the basis for exemption is lost. Additionally, without inclusion of the Program's contract implementation language, any of the University's subcontractors are not required to be compliant with the program.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The Agreement will continue the provision of clinical and academic services at the LAC+USC Healthcare Network and designated Network facilities.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Bruce A. Chernof, M.D.
Director and Chief Medical Officer
BLETC04261.FPS.wpd

BAC:ll

Attachment (1)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

AFFILIATION AGREEMENT

By and Between

The University of Southern California

And

The County of Los Angeles

[August 1, 2006]

TABLE OF CONTENTS

Title	Page
STATEMENT OF PURPOSES.....	1
MISSION OF THE COUNTY OF LOS ANGELES DEPARTMENT OF HEALTH SERVICES	1
MISSION OF THE LAC+USC NORTHEAST HEALTHCARE NETWORK.....	1
MISSION OF THE UNIVERSITY OF SOUTHERN CALIFORNIA	2
GOALS OF THE COUNTY OF LOS ANGELES DEPARTMENT OF HEALTH SERVICES.....	2
1. DEFINITIONS.....	3
1.1. ACADEMIC ADMINISTRATOR	3
1.2. ACGME	3
1.3. ADDENDA	3
1.4. [THIS SECTION INTENTIONALLY LEFT BLANK]	3
1.5. AGREEMENT	3
1.6. BYLAWS	3
1.7. CEO	3
1.8. CHIEF.....	3
1.9. CHIEF MEDICAL OFFICER	3
1.10. CONTRACT YEAR.....	4
1.11. COUNTY	4
1.12. COUNTY HOUSESTAFF	4
1.13. COUNTY PERSONNEL	4
1.14. COUNTY TRAINING PROGRAM	4
1.15. DEAN.....	4
1.16. DEPARTMENT	4
1.17. DEPARTMENT OF HEALTH SERVICES/DHS	4
1.18. DHS DIRECTOR	4
1.19. EXHIBITS	4
1.20. FACILITY JPO COMMITTEE.....	4
1.21. FACULTY	4
1.22. GMEC.....	4
1.23. GOVERNING BODY	4
1.24. HEALTH SCIENCES STUDENT	4
1.25. HOSPITAL	5
1.26. HOUSESTAFF.....	5
1.27. JCAHO	5
1.28. [THIS SECTION INTENTIONALLY LEFT BLANK]	5
1.29. MEDICAL DIRECTOR.....	5
1.30. MEDICAL STAFF	5
1.31. [THIS SECTION INTENTIONALLY LEFT BLANK]	5
1.32. PARTY OR PARTIES	5
1.33. PRIMARY COUNTY FACILITIES.....	5
1.34. PROGRAM DIRECTOR.....	5
1.35. PURCHASED SERVICES.....	5
1.36. SECTION 1115 WAIVER	5
1.37. SENIOR MEDICAL DIRECTOR FOR CLINICAL AFFAIRS AND AFFILIATIONS	5
1.38. SYSTEM JPO COMMITTEE.....	5
1.39. TRAINING PROGRAM	5
1.40. UNIVERSITY.....	5
1.41. UNIVERSITY HOUSESTAFF	5

1.42. UNIVERSITY PERSONNEL	6
1.43. UNIVERSITY REPRESENTATIVE	6
1.44. UNIVERSITY TRAINING PROGRAM	6
2. RESPONSIBILITIES OF UNIVERSITY	6
2.1. GENERAL	6
2.1.1. <i>Affiliation Responsibilities</i>	6
2.1.2. <i>Physician Compensation</i>	6
2.2. ADMINISTRATION OF PURCHASED SERVICES	8
2.2.1. <i>University Representative</i>	8
2.2.2. <i>Academic Administrator</i>	9
2.2.3. <i>Chiefs</i>	9
2.3. PROGRAM PLANNING	10
2.4. COMPLIANCE WITH COUNTY POLICIES	10
2.4.1. <i>Knowledge and Compliance Generally</i>	10
2.4.2. <i>Patient Complaints</i>	11
2.4.3. <i>Patient Transfer to or from Other Facilities</i>	11
2.4.4. <i>Quality Improvement</i>	11
2.4.5. <i>Medical Administration</i>	12
2.4.6. <i>Medical Records</i>	12
2.5. PERSONNEL RESPONSIBILITIES	12
2.5.1. <i>General</i>	12
2.5.2. <i>University Housestaff and Health Sciences Students</i>	14
2.5.3. <i>Faculty Evaluations</i>	15
2.5.4. <i>Reallocation of Personnel FTEs</i>	15
2.6. TRAINING PROGRAMS	16
2.6.1. <i>Accreditation of County and University Training Programs</i>	16
2.6.2. <i>Operation of University Training Programs</i>	16
2.6.3. <i>Academic Administration of County Training Programs</i>	16
2.6.4. <i>Scheduling</i>	17
2.6.5. <i>University Personnel and Rotations</i>	17
2.7. RESEARCH	17
2.8. ACADEMIC PROGRAMS AT NON-HOSPITAL PRIMARY COUNTY FACILITIES	17
2.9. INSURANCE COVERAGE	18
2.9.1. <i>Liability</i>	18
2.9.2. <i>Workers' Compensation</i>	18
2.9.3. <i>Self-Insurance</i>	18
3. RESPONSIBILITIES OF COUNTY	19
3.1. ADMINISTRATION AND GOVERNANCE OF PRIMARY COUNTY FACILITIES	19
3.1.1. <i>General</i>	19
3.1.2. <i>CEO</i>	19
3.1.3. <i>Medical Director</i>	19
3.1.4. <i>Medical Staff</i>	21
3.2. PROGRAM PLANNING	21
3.3. OPERATIONS OF PRIMARY COUNTY FACILITIES	21
3.3.1. <i>General</i>	21
3.3.2. <i>Security</i>	21
3.3.3. <i>Medical Records</i>	21
3.3.4. <i>Training Program Support</i>	22
3.3.5. <i>Knowledge of and Compliance with County Policies</i>	22
3.3.6. <i>Patient Complaints</i>	22
3.4. PERSONNEL RESPONSIBILITIES	22
3.4.1. <i>General</i>	22
3.4.2. <i>Employment of County Housestaff</i>	23
3.4.3. <i>Recruitment of Academic Administrator</i>	23

3.4.4. Performance Evaluations.....	23
3.4.5. Coordination of Discipline of University Personnel.....	23
3.4.6. Discipline of County Personnel	23
3.4.7. [THIS SECTION INTENTIONALLY LEFT BLANK.]	23
3.4.8. Health and Safety of Housestaff and Health Sciences Students.....	23
3.5. REAL AND PERSONAL PROPERTY	24
3.6. TRAINING AND TEACHING PROGRAMS.....	24
3.6.1. Accreditation of County and University Training Programs	24
3.6.2. County Housestaff in University Programs	25
3.6.3. Consolidation and Coordination of County Training Programs and Coordination of University Training Programs	25
3.6.4. Health Sciences Student Rotations.....	25
3.7. INSURANCE COVERAGE	25
3.7.1. Liability.....	25
3.7.2. Workers' Compensation.....	26
3.7.3. Self-Insurance	26
4. JOINT RESPONSIBILITIES	27
4.1. COMPLIANCE AND COOPERATION.....	27
4.2. ANNUAL ADDENDA	27
4.3. THIRD PARTY REVENUE	27
4.4. AVOIDANCE OF DETRIMENTAL ACTIVITIES	27
4.5. RISK MANAGEMENT AND QUALITY IMPROVEMENT.....	27
4.6. FACULTY DISTRIBUTION.....	28
4.7. CLINICAL PATHWAYS AND PRACTICE GUIDELINES.....	28
4.8. SCHEDULING.....	28
4.9. HOUSESTAFF QUALIFICATION LEVELS.....	28
4.9.1. General	28
4.9.2. Housestaff Performance.....	28
4.9.3 Implementation of Housestaff Qualification Levels	28
4.10. COMPLIANCE WITH ACCREDITATION STANDARDS.....	28
4.11. SELECTION OF MEDICAL DIRECTOR	28
4.12. SELECTION AND REASSIGNMENT OF CHIEFS	29
5. PURCHASED SERVICES	29
5.1. GENERAL.....	29
5.2. [THIS SECTION INTENTIONALLY LEFT BLANK.].....	29
5.3. PROVISION OF ACADEMIC SERVICES.....	29
5.4. PROVISION OF CLINICAL SERVICES.....	30
5.4.1. Care to All Patients.....	30
5.4.2. Off-Site Services.....	30
5.5. MANAGEMENT SERVICES.....	30
5.5.1. Delivery of Purchased Services	30
5.5.2. Budget Matters.....	30
5.5.3. Compliance with Agreement and County Policies	31
5.5.4. Non-Vacancy Requirement	31
5.6. COUNTY REDUCTIONS IN VOLUME OF PURCHASED SERVICES	31
6. PAYMENT FOR PURCHASED SERVICES.....	31
6.1. PAYMENT TO UNIVERSITY FOR PURCHASED SERVICES	31
6.2. VOLUME OF SERVICES	31
6.3. PRODUCTIVITY AND PERFORMANCE MEASURES.....	31
7. REVENUE AND BILLING.....	31
7.1. BILLING AND COLLECTION OF CHARGES	31
7.2. PATIENT CHARGES.....	31

7.3. INFORMATION FOR COST REPORTING	32
7.4. INFORMATION AND ACCOUNTING SYSTEMS	32
8. TERM AND TERMINATION	32
8.1. TERM.....	32
8.2. PRESERVATION OF OTHER REMEDIES	32
8.3. IMMEDIATE TERMINATION	32
8.3.1. <i>Regulatory</i>	32
8.3.2. <i>Destruction of Premises</i>	32
8.3.3. <i>Improper Consideration</i>	32
8.3.4. <i>Loss of LCME or ACGME Accreditation</i>	33
8.3.5. <i>Immediate Partial Termination</i>	33
8.3.6. <i>Other Events</i>	33
8.4. TERMINATION FOR CAUSE	33
8.4.1. <i>Material Breach</i>	34
8.4.2. <i>Partial Termination for Cause</i>	34
8.4.3. <i>Closure of Premises</i>	34
8.5. EFFECTS OF TERMINATION, CONTINUING RESPONSIBILITIES OF THE PARTIES	35
8.5.1. <i>Cooperation</i>	35
8.5.2. <i>Survival</i>	35
8.5.3. <i>Patient Care Responsibilities</i>	35
9. JOINT PLANNING AND OPERATIONS COMMITTEES.....	35
9.1. GENERAL	35
9.1.1. <i>Composition of System JPO Committee</i>	35
9.1.2. <i>Composition of Facility JPO Committee</i>	36
9.1.3. <i>Meetings</i>	36
9.1.4. <i>Protocol</i>	36
9.2. FACILITY JPO COMMITTEE RESPONSIBILITIES	36
9.2.1. <i>Issues</i>	36
9.2.2. <i>Addenda</i>	37
9.2.3. <i>Matters Affecting Staffing, Patient Care or Affiliation Operations</i>	37
9.2.4. <i>Graduate Medical Education Committees</i>	38
9.3. SYSTEM JPO COMMITTEE RESPONSIBILITIES	40
10. REPORTING AND ACCOUNTABILITY	40
10.1. GENERAL OPERATIONS.....	40
10.2. NOTICE OF CERTAIN EVENTS.....	40
10.2.1. <i>Legal or Administrative Actions</i>	40
10.2.2. <i>Accreditation, Licensure, and Site Visits</i>	41
10.3. RECORDS AND AUDITS	41
10.3.1. <i>Financial Records</i>	41
10.3.2. <i>Federal Access to Records</i>	42
10.3.3. <i>Audit Reports</i>	42
10.3.4. <i>Audit/Compliance Review</i>	42
10.3.5. <i>Audit Settlements</i>	43
10.3.6. <i>Failure to Comply</i>	43
11. INDEMNIFICATION.....	43
11.1. PROFESSIONAL LIABILITY INDEMNIFICATION	43
11.2. INDEMNIFICATION FOR EMPLOYMENT PRACTICES.....	44
11.2.1. <i>By County</i>	44
11.2.2. <i>By University</i>	44
11.3. INDEMNIFICATION FOR EMPLOYMENT OBLIGATIONS OF UNIVERSITY	45
11.4. NO REQUIREMENT TO DEFEND OR INDEMNIFY WITH REGARD TO ADMINISTRATIVE PROCEEDINGS	46
11.5. GENERAL INDEMNIFICATION	46

11.5.1. By County.....	46
11.5.2. By University.....	46
11.5.3. Other Indemnifications	47
12. ADDITIONAL PROVISIONS	47
12.1. NOTICES	47
12.2. CONFIDENTIALITY	48
12.3. NONDISCRIMINATION IN SERVICES	48
12.4. NONDISCRIMINATION IN EMPLOYMENT	48
12.4.1. Nondiscrimination.....	48
12.4.2. Employment Status.....	48
12.4.3. Vendors.....	49
12.4.4. Verification.....	49
12.4.5. Breach.....	49
12.4.6. Penalty.....	49
12.5. STAFF PERFORMANCE WHILE UNDER THE INFLUENCE.....	49
12.6. UNIVERSITY PERFORMANCE DURING DISASTER OR CIVIL UNREST	49
12.7. LICENSES, PERMITS, REGISTRATIONS AND CERTIFICATES	50
12.8. UNLAWFUL SOLICITATION.....	50
12.9. CONFLICT OF INTEREST	50
12.10. COVENANT AGAINST CONTINGENT FEES.....	51
12.10.1. Covenant.....	51
12.10.2. Remedy.....	51
12.11. DELEGATION AND ASSIGNMENT	51
12.12. SUBCONTRACTING	51
12.12.1. County Approval.....	51
12.12.2. Indemnification.....	52
12.12.3. Approved Subcontracting.....	52
12.13. COMPLIANCE	53
12.13.1 Compliance with Applicable Law	53
12.14. AUTHORIZATION WARRANTY.....	53
12.15. FAIR LABOR STANDARDS	53
12.16. EMPLOYMENT ELIGIBILITY VERIFICATION	53
12.17. RESTRICTIONS ON LOBBYING	54
12.18. COUNTY LOBBYISTS.....	54
12.19. COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM	54
12.19.1. University's Warranty of Adherence to County's Child Support Compliance Program	54
12.19.2 Termination for Breach of Warranty to Maintain Compliance with County's Child Support Compliance Program.....	54
12.20. MERGER AND INTEGRATION PROVISION	55
12.21. SEVERABILITY	55
12.22. INVESTIGATIONS.....	55
12.23. NO THIRD PARTY BENEFICIARIES.....	55
12.24. WAIVER.....	55
12.25. INTERRUPTION OF SERVICE.....	55
12.26. SECTION REFERENCES	56
12.27. CONTRACTOR RESPONSIBILITY AND DEBARMENT.....	56
12.28. USE OF RECYCLED CONTENT BOND PAPER	57
12.29. COMPLIANCE WITH JURY SERVICE PROGRAM.....	57
12.30. NOTICE TO EMPLOYEES REGARDING THE SAFELY SURRENDERED BABY LAW.....	58
12.31. UNIVERSITY'S ACKNOWLEDGMENT OF COUNTY'S COMMITMENT TO THE SAFELY SURRENDERED BABY LAW	58
12.32. COMPLIANCE WITH HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996	58

EXHIBITS

- Exhibit 1: County and University Training Programs
- Exhibit 2: Northeast Cluster
- Exhibit 3: County Policies and Regulations
- Exhibit 4: [THIS EXHIBIT INTENTIONALLY LEFT BLANK.]
- Exhibit 5: Tenured Faculty Members Subject to Special Indemnification
- Exhibit 6: Physician Time Study (PTS)
- Exhibit 7: Retention of Records under This Agreement

ADDENDA

- Addendum A: Purchased Services
- Addendum B: Performance and Productivity Standard Development

AFFILIATION AGREEMENT
BY AND BETWEEN
THE UNIVERSITY OF SOUTHERN CALIFORNIA
AND
THE COUNTY OF LOS ANGELES

This Agreement is entered into this ____ day of August, 2006, by and between the County of Los Angeles ("County") and the University of Southern California ("University").

STATEMENT OF PURPOSES

Mission of the County of Los Angeles Department of Health Services:

The mission of the County of Los Angeles Department of Health Services (DHS) is to improve health through leadership, service, and education.

Mission of the LAC+USC Northeast Healthcare Network:

Vision

To be nationally recognized for our superior patient care, medical education, clinical research and contributions to community health.

Mission

To provide fully integrated, accessible, affordable and culturally sensitive care, one person at a time.

Values

Responsibility to Community – We have an obligation to improve the healthcare status of the communities we serve by providing accessible, affordable, and culturally sensitive healthcare. We actively contribute our clinical expertise to provide a valuable service, while gaining community trust.

Service Excellence – We work collaboratively with each other, our care and educational partners, other organizations and the community to provide needed education, service, care and treatment.

Trustworthiness – We are responsible and prudent stewards of the resources entrusted to us. We are transparent in the work we do and honest, fair and equitable in our decision making.

Improving the Work Environment – We focus on recruiting and retaining talented, compassionate and caring people. LAC+USC Network is a place where people are valued and respected for their diversity, talents, background and unique perspectives.

Continuous Learning – We are a teaching hospital promoting continuous learning at all levels, expecting continuous improvement from ourselves and our USC partners. We continually strive to improve patient care through active research and exchange of ideas.

Mission of the University of Southern California:

Teaching, research and patient care are intertwined missions at University's Health Sciences Schools. Their work is carried out through three cooperative functions that depend upon shared resources:

Education. The fundamental core mission of the Schools of Health Sciences is the means for transferring knowledge, especially regarding the treatment of illness, to the next generation of professionals and furthering their development;

Biomedical Research. Which provides a central research focus that allows faculty and students in the Health Sciences Schools the opportunity to participate in the excitement of scientific discovery as an integral part of the teaching process and to test new scientific knowledge; and

Service. In which the clinical faculty members treat patients in public and private settings in affiliated hospitals, and advance the art of healing, while developing and initiating innovative concepts in the provision of medical care that reflects the social and economic realities of the community.

The mission of the Health Sciences Schools with regard to County is to assist County in the provision of high quality health care to the citizens of the County of Los Angeles, while offering an equally high quality educational, research and service experience for health professionals in training and for its faculty.

Goals of the County of Los Angeles Department of Health Services:

By entering this Agreement, the Department of Health Services seeks to strengthen its relationship with University in a manner that maximizes the health services available to the community and provides a strong housestaff education program. The Department of Health Services also seeks to:

1. Improve the value (quality and efficiency) of health care provided by DHS.
2. Enhance and protect the health of the residents of County.

3. Simplify and automate DHS and County processes for patients, partners, employees, and the public.
4. Reduce disparity in care and enhance cultural sensitivity across DHS.
5. Support education and research to improve the health of County residents.

County and University believe that their missions are complementary and agree that it is in their best interests to continue to fulfill their respective missions through an affiliation.

THEREFORE: The Parties agree that University will provide services to County pursuant to the terms of this Agreement and that this Agreement shall supercede Agreement Number H-211755 and all Amendments thereto.

1. DEFINITIONS

- 1.1. **Academic Administrator.** An associate or assistant dean, or other person appointed by University from among Faculty, who is responsible for overseeing the day-to-day delivery of academic Purchased Services at Primary County Facilities, pursuant to § 2.2.2; or the designee of such person. It is the intent of the Parties that a single individual shall serve as Academic Administrator and Medical Director.
- 1.2. **ACGME.** The Accreditation Council on Graduate Medical Education, which is the accrediting body for graduate medical education programs, or any successor organization. References to the RRC shall mean the Residency Review Committees within the ACGME.
- 1.3. **Addenda.** Any addenda to this Agreement, as amended annually or otherwise, including the following:

Addendum A: Purchased Services
Addendum B: Performance and Productivity Standards
- 1.4. **[THIS SECTION INTENTIONALLY LEFT BLANK.]**
- 1.5. **Agreement.** This Affiliation Agreement made between the County of Los Angeles and the University of Southern California, including all Exhibits and Addenda, as may be amended from time to time.
- 1.6. **Bylaws.** The Bylaws and Rules and Regulations of the Medical Staff of Hospital, as may be amended from time to time.
- 1.7. **CEO.** The Chief Executive Officer, or his or her designee, pursuant to § 3.1.2.
- 1.8. **Chief.** The individual who is appointed as chief of a Department pursuant to §§ 2.2.3 and 4.12. Such individual must either be a member of the Faculty or have a pending Faculty appointment at the time of his or her appointment as Chief.
- 1.9. **Chief Medical Officer.** The Director of the County of Los Angeles Department of Health Services.

- 1.10. **Contract Year.** July 1 through June 30 of any year for which this Agreement is in effect.
- 1.11. **County.** The County of Los Angeles, including as appropriate its departments, facilities and officials.
- 1.12. **County Housestaff.** Residents and post-graduate physicians enrolled in County Training Programs and employed by County.
- 1.13. **County Personnel.** Employees of County working in Primary County Facilities.
- 1.14. **County Training Program.** As may be set forth in Exhibit 1, accredited residency or other medical education, dentistry, or independent health profession or technician training programs sponsored by County, of which some portion of the training takes place at Primary County Facilities and whose trainees are employed by County.
- 1.15. **Dean.** The Dean of University's School of Medicine.
- 1.16. **Department.** A clinical department at Hospital.
- 1.17. **Department of Health Services / DHS.** The County of Los Angeles Department of Health Services.
- 1.18. **DHS Director.** The Director of the County of Los Angeles Department of Health Services.
- 1.19. **Exhibits.** Any exhibits to this Agreement, as may be amended from time to time, including the following:
- Exhibit 1: County and University Training Programs
 - Exhibit 2: Northeast Cluster
 - Exhibit 3: County Policies and Regulations
 - Exhibit 4: [THIS EXHIBIT INTENTIONALLY LEFT BLANK.]
 - Exhibit 5: Tenured Faculty Members Subject to Special Indemnification
 - Exhibit 6: Physician Time Study (PTS)
 - Exhibit 7: Retention of Records under This Agreement
- 1.20. **Facility JPO Committee.** The Facility Joint Planning and Operations Committee established pursuant to § 9 of this Agreement.
- 1.21. **Faculty.** Individuals holding academic appointments at University who provide Purchased Services in Primary County Facilities pursuant to this Agreement.
- 1.22. **GMEC.** The Graduate Medical Education Committee established pursuant to § 9 of this Agreement.
- 1.23. **Governing Body.** The Los Angeles County Board of Supervisors.
- 1.24. **Health Sciences Student.** An undergraduate student enrolled in a school of medicine or other health sciences, who is not licensed to practice such health science.

- 1.25. **Hospital.** The Los Angeles County + University of Southern California Medical Center, including all inpatient departments and outpatient clinics.
- 1.26. **Housestaff.** County Housestaff or University Housestaff, as appropriate.
- 1.27. **JCAHO.** The Joint Commission on Accreditation of Healthcare Organizations, which is the accrediting body for health care facilities, or any successor organization.
- 1.28. **[THIS SECTION INTENTIONALLY LEFT BLANK.]**
- 1.29. **Medical Director.** The Medical Director of Hospital, or his or her designee, pursuant to § 3.1.3. It is the intent of the Parties that a single individual shall serve as Medical Director and Academic Administrator.
- 1.30. **Medical Staff.** The Medical Staff of Hospital as defined in the Bylaws.
- 1.31. **[THIS SECTION INTENTIONALLY LEFT BLANK.]**
- 1.32. **Party or Parties.** County or University, or both, as appropriate.
- 1.33. **Primary County Facilities.** Hospital and those other facilities owned, controlled or operated by County, as listed in Addendum A, to which University Personnel shall be regularly assigned, most of which are located within the Northeast Cluster (as identified in Exhibit 2).
- 1.34. **Program Director.** The responsible director of a resident training specialty or subspecialty.
- 1.35. **Purchased Services.** Those services provided by University pursuant to this Agreement, as set forth in § 5.
- 1.36. **Section 1115 Waiver.** The Medicaid demonstration project undertaken by County pursuant to a waiver by the Health Care Financing Administration of certain requirements of Title 19 of the federal Social Security Act, granted pursuant to Section 1115 of that Act.
- 1.37. **Senior Medical Director for Clinical Affairs and Affiliations.** The Department of Health Services senior Medical Director accountable to the Director
- 1.38. **System JPO Committee.** The system-wide Joint Planning and Operations Committee established pursuant to § 9 of this Agreement.
- 1.39. **Training Program.** A County Training Program or a University Training Program.
- 1.40. **University.** The University of Southern California or any of its Health Sciences Schools as appropriate to the context.
- 1.41. **University Housestaff.** Residents and post-graduate physicians enrolled in University Training Programs and employed by University.

- 1.42. **University Personnel.** Full or part-time employees of University, and any other persons provided by University to perform Purchased Services who are under University control or supervision (e.g., University's Health Sciences Students and any Faculty who are neither employed by University nor County), working in Primary County Facilities.
- 1.43. **University Representative.** The individual appointed by the Dean who is primarily responsible for overseeing the provision of Purchased Services, pursuant to § 2.2.1.
- 1.44. **University Training Program.** As may be set forth in Exhibit 1, accredited residency or other medical education, independent health profession, dentistry, or pharmacy programs sponsored by University, of which some portion of the training takes place at Primary County Facilities and whose trainees are employed or sponsored by University.

2. RESPONSIBILITIES OF UNIVERSITY

- 2.1. **General.** University shall provide University Personnel sufficient to render patient care, training and supervision necessary to meet the clinical and academic service requirements set forth in this Agreement. University shall collaborate with County to establish the educational goals and objectives of the Training Programs. University shall supervise the Training Programs in a manner consistent with the standards and requirements set forth by the ACGME and any other applicable accreditation bodies for program accreditation, and County's goals and objectives as expressed in the Statement of Purposes and elsewhere in this Agreement. The educational goals and objectives of the Training Programs shall reflect University's commitment to providing education and Training Programs to Health Sciences Students and Housestaff.
- 2.1.1. Affiliation Responsibilities. Subject to CEO's ultimate responsibility for Hospital operations as set forth in § 3.1.2, University shall be responsible for:
- 2.1.1.1. *Purchased Services.* Provision of Purchased Services as set forth in § 5;
- 2.1.1.2. *Personnel Supervision.* Operational supervision of County Personnel, including as applicable nurses, technicians, therapists, medical social workers, nurse anesthetists, psychologists, physicists, pharmacists and dieticians, as required for the provision of Purchased Services.
- 2.1.1.3. *Resource Allocation and Operations.* Provision of advice and recommendations, which County shall fully consider, regarding resource allocation and operations.
- 2.1.2. Physician Compensation.
- 2.1.2.1. *Reporting.* Not less frequently than annually or as otherwise reasonably requested by County, University shall report to CEO and Chief Medical Officer, on a unique identifier basis, all compensation paid each Faculty member from County funds, directly or indirectly, by University. Pursuant to the

requirements of § 12.12, University shall provide County with a copy of any contract with a third party, including an affiliate of University, for the distribution of County funds to Faculty members. This § 2.1.2.1 does not require University to provide County with copies of Faculty employment or professional services agreements.

2.1.2.2. *Limitation on Total Compensation from County Funds.* University shall ensure that total compensation paid directly or indirectly to each Faculty member from County funds by University, combined with any compensation paid directly by County, does not exceed the seventy-fifth (75th) percentile of the Association of American Medical Colleges' national salary schedule for the applicable academic rank and practice specialty; provided that this limitation shall not apply (i) to any Faculty member receiving compensation from County funds in excess of the limit in this § 2.1.2.2 as of March 1, 2000; (ii) to Chiefs; and (iii) to any other individuals who may be specified in Addendum A. For purposes of this requirement, University may rely on information provided by County as to the level of compensation paid directly by County to each Faculty member.

2.1.2.3. *Cessation upon Loss of Clinical Privileges.* County shall notify University if (i) a Faculty member's clinical privileges at Primary County Facilities have been terminated, or (ii) disciplinary or termination proceedings have been initiated against a Faculty member; and payment to the Faculty member from County funds for specified Purchased Services should terminate. Promptly upon receipt of such notice, University shall cease using County funds to compensate that Faculty member for performance of the specified Purchased Services.

2.1.2.4. *Former County Employees.* University shall notify Chief Medical Officer prior to University's use of any individual for the provision of Purchased Services, if the University has knowledge that the individual was a County employee at any time during the previous twelve months. University shall not use County funds to compensate such individual if County objects in writing within thirty (30) days after County's receipt of such notice. This section shall apply only to individuals who leave County employment after March 1, 2000.

2.1.2.5. *Exclusion from Federal Health Care Programs.*

2.1.2.5.1. *Cessation of Compensation.* Each Party shall promptly notify the other if it learns that a Faculty member has been excluded from participation in any federal health care program, including Medicare or MediCal. Promptly upon learning of

any such exclusion, University shall: i) cease using County funds to compensate the excluded individual for performance of Purchased Services subsequent to the date of exclusion; and ii) immediately bar that individual from providing Purchased Services.

- 2.1.2.5.2. Indemnification for Exclusion from Federal Health Care Programs. University shall indemnify, defend and hold harmless County and its officers, employees, agents, students, fellows and volunteers from and against any and all losses, claims, damages, liabilities or expenses arising out of or connected with the performance of Purchased Services by any person employed by University and not by County, who has been excluded from a federal health care program; provided University: (i) knew or reasonably should have known of such person's excluded status during the period at issue; and (ii) failed to remove such person from the performance of Purchased Services.

2.2. Administration of Purchased Services.

- 2.2.1 University Representative. University shall appoint a University Representative to provide general oversight of University activities under this Agreement.

2.2.1.1. *Selection.* In the event of a vacancy in the position of University Representative, University shall consult with DHS Director or his or her designee and CEO; provided that University shall retain sole authority for appointment of University Representative and any reassignment from his or her duties as University Representative.

2.2.1.2. *Duties.* University Representative or his or her designee shall serve as University's contract officer for this Agreement. He or she shall oversee the overall provision of Purchased Services, participation in County Training Programs, and in consultation with CEO, the coordination of any research approved by Hospital's Institutional Review Board to be conducted in Primary County Facilities. This § 2.2.1.2 does not (i) affect the terms of the research agreement among County, University, and the Health Research Association; or (ii) remove any independent requirements for review or approval of such research, including those set forth in the Bylaws.

2.2.2 Academic Administrator.

- 2.2.2.1. *General.* University shall provide an Academic Administrator, who shall supervise the day-to-day delivery of academic Purchased Services under this Agreement. It is the intent of the Parties that a single individual shall serve as Academic Administrator and Medical Director.
- 2.2.2.2. *Selection Process.* In the event of a vacancy, County and University shall participate jointly in recruiting, evaluating and selecting candidates to fill the position of Academic Administrator.
- 2.2.2.3. *Appointment.* University shall be solely responsible for appointment of the Academic Administrator from among such candidates, in accordance with University personnel policies. Status as Medical Director is a preferred qualification for service as Academic Administrator. Faculty appointment of this physician shall follow standard faculty appointment procedures.
- 2.2.2.4. *Reassignment.* If Academic Administrator loses or fails to obtain standing as Medical Director, then University shall promptly conduct a review to determine whether to reassign the individual from his or her duties as Academic Administrator. Reassignment of Academic Administrator for any reason whatsoever shall be in accordance with University's personnel policies and in the sole discretion of University.
- 2.2.2.5. [THIS SECTION INTENTIONALLY LEFT BLANK.]
- 2.2.2.6. *Associate Academic Administrators at Primary County Facilities.* For the appointment of an associate academic administrator for any Primary County Facility, except as otherwise agreed, University shall follow the same selection, assignment and reassignment procedures, as applicable, as used for the Academic Administrator at Hospital. The duties of an associate academic administrator at a Primary County Facility shall be the same, as applicable, as for the Academic Administrator at Hospital unless otherwise agreed; provided that associate academic administrators at Primary County Facilities shall be subject to oversight by the Academic Administrator in delivering academic Purchased Services under this Agreement.

2.2.3. Chiefs.

- 2.2.3.1. *General.* University shall provide an individual to serve as Chief for each Department. Chiefs shall be University employees and shall be appointed and reassigned as provided in § 4.12.

2.2.3.2. *Duties.*

2.2.3.2.1. Clinical Direction and Management of Department. Subject to the authority of Chief Medical Officer, CEO, Medical Director and University Representative, each Chief shall be responsible for clinical direction, supervision of clinical management, and the provision of clinical Purchased Services in his or her Department.

2.2.3.2.2. Academic Direction and Management of Department. Subject to the authority of University Representative and Academic Administrator, each Chief shall be responsible for academic direction, academic administration and the provision of academic Purchased Services in his or her Department.

2.2.3.2.3. Compliance. Subject to the authority of Medical Director and Academic Administrator, each Chief shall be responsible for compliance by his or her Department's Medical Staff with the Bylaws, and with County policies and procedures as set forth in Exhibit 3 and as Chief is otherwise notified by County.

2.3. **Program Planning.** University shall participate in joint planning and operations through the System JPO and Facility JPO Committees, as set forth in § 9.

2.4. **Compliance with County Policies.**

2.4.1. Knowledge and Compliance Generally. University Personnel shall be subject to and shall comply with applicable County policies, as identified in Exhibit 3, to the same extent as County Personnel. Whenever University Personnel are present at any Primary County Facility, such persons shall be subject to the administrative and clinical rules and regulations of such Primary County Facility, as set forth in Exhibit 3 and as they are otherwise notified by County. It is the responsibility of University to acquaint persons who are to provide Purchased Services hereunder with such rules and regulations. University shall immediately remove any of its personnel from the provision of Purchased Services hereunder upon receipt of written notice from DHS Director or his or her designee, that (i) such person has violated applicable rules or regulations, or (ii) such person's actions, while on County premises, may harm County patients. County shall provide University with a written statement of the facts supporting any such violation or action within 24 hours of such removal. If University continues to use County funds to compensate the Faculty member who has been removed from the provision of Purchased Services, University shall ensure that County receives Purchased Services at

the same level with no additional cost and no diminution in service attributable to the removal of the Faculty member.

- 2.4.2. Patient Complaints. University shall make a good faith effort to address patient complaints involving University Personnel, to bring those matters outside its control to the attention of appropriate County administrators, and to cooperate fully with County to resolve any such complaints.
- 2.4.3. Patient Transfer to or from Other Facilities. With respect to patient transfers to and from non-County institutions, University Personnel shall comply with applicable law and County policies as set forth in § 2.4.3.1 and as further provided in writing to University Representative (“DHS Patient Transfer Policy”), as amended from time to time. Until such time as University Representative is provided with a written copy of such policies, Hospital’s transfer policies shall constitute the DHS Patient Transfer Policy.
 - 2.4.3.1. *Compliance with DHS Patient Transfer Policy.* In the event that a patient’s attending physician determines that diagnostic services or therapeutic services necessary for the patient’s medical care are not available at Hospital, the attending physician shall arrange for the transfer of the patient to another facility where such services can be provided, all in accordance with the DHS Patient Transfer Policy set forth in Exhibit 3. Similarly, if the patient’s third party payer requires that the patient, when stable, be transferred to another site for the provision of care, or if the patient or the patient’s lawful representative requests transfer of the patient to another facility for the provision of care, then the attending physician shall, consistent with Exhibit 3, act to effect such transfer.
 - 2.4.3.2. *Violation of DHS Patient Transfer Policy.* University shall take appropriate disciplinary action against any University Personnel who violate the DHS Patient Transfer Policy. If University fails to take such action within forty-five (45) days after notice by County of violation, then University shall pay County \$1,000 in liquidated damages for each violation for which such action is not taken. County’s next payment to University under this Agreement shall be reduced by the amount assessed. If outstanding County payments under this Agreement are insufficient to cover the amount assessed, University shall pay County the assessment immediately following receipt of County’s invoice.
- 2.4.4. Quality Improvement. University Personnel shall participate in quality improvement, utilization review and risk management activities as specified in the Bylaws; County’s policies; all legal, accreditation and certification standards; and the conditions and terms of this Agreement. University Personnel shall participate in Medical Staff committee review of clinical and risk management issues, including the identification of opportunities for the

improvement of quality of care and the resolution of clinical issues related to quality improvement and risk management. Each Chief shall be responsible for the development and implementation of an appropriate quality improvement plan for his or her Department, working in coordination with the CEO, the appropriate nursing administrator, and the appropriate quality improvement bodies.

2.4.5. Medical Administration. University shall require that all University Personnel assigned to Primary County Facilities attend and participate in all applicable training provided by County under this subsection, including appropriate resource utilization, managed care procedures, accreditation and licensure, risk management, and other necessary training as identified and provided by County.

2.4.6. Medical Records. University Personnel and Health Sciences Students shall cooperate in the timely completion and maintenance of a complete medical record for each patient encountered, pursuant to Bylaws and applicable state and County regulations, on forms provided by County. The medical record shall, at all times, remain the property of County.

2.5. Personnel Responsibilities.

2.5.1. General.

2.5.1.1. *Staffing Levels.* Subject to County providing timely and adequate non-physician staff, support, resources and funding pursuant to § 3.3.4 and Addendum A, University shall provide University Personnel to render patient care, training and supervision that are sufficient to meet the clinical and academic service requirements of Addendum A, subject to any limitations set forth in Addendum A. Such staffing shall not fall below the level set forth in Addendum A without written approval of County, except for such minor, temporary adjustments as deemed reasonable by Medical Director. Notwithstanding any other requirements of this § 2.5.1.1, if County reduces the volume of Purchased Services pursuant to § 5.6, University may, consistent with its legal and contractual obligations, reduce staffing levels to reflect such volume reductions.

2.5.1.2. [THIS SECTION INTENTIONALLY LEFT BLANK.]

2.5.1.3. *Oversight of County Housestaff Selection Process.* University shall evaluate the academic qualifications of the candidates for County Housestaff and develop a list of qualified candidates for County Housestaff, in accordance with ACGME requirements and other applicable academic and accreditation standards; provided that County hiring decisions are within County's sole discretion, pursuant to § 3.4.2.

- 2.5.1.4. *Physician Recruitment.* It is the intent of the Parties that all physicians hired by County to practice in any Primary County Facility shall be considered for Faculty status. University upon request shall review the academic qualifications of each such physician, concurrent with County's civil service hiring process. University shall use reasonable efforts to confirm a physician's eligibility for Faculty status by such time as County's hiring process is concluded. All County hiring decisions are within County's sole discretion. University shall consider applications for Faculty appointment of physicians hired by County to practice in any Primary County Facilities, including upon request non-Hospital Primary County Facilities, provided such physicians meet, at minimum, University's criteria for Faculty appointments. University shall be under no obligation to provide Faculty appointments to such physicians. This § 2.5.1.4 shall not apply to the recruitment or hiring of County Housestaff.
- 2.5.1.5. *Performance Evaluation.* At such times as CEO may request, University Representative shall participate in performance evaluations of Medical Director; provided that County shall be solely responsible for such evaluations.
- 2.5.1.6. *Discipline by University.* University shall be solely responsible for the discipline of all University Personnel who are not also County Personnel and may independently discipline any University Personnel in connection with their University employment. University shall cooperate with County with respect to the discipline of County Personnel performing services under this Agreement. University shall investigate any County complaints against University Personnel to determine the necessity for appropriate action. If (i) the nature of the complaint provides reasonable grounds to believe that the safety of any person or property in Primary County Facilities may be at risk; or, (ii) if the complaint arises out of allegations of discrimination or harassment by University Personnel and County determines it is in the best interests of the operation of the Primary County Facilities to reassign the individual pending resolution of the allegations, then University shall promptly reassign or exclude such University Personnel from Primary County Facilities pending resolution of the complaint. If University continues to use County funds to compensate the Faculty member who has been removed from the provision of Purchased Services, University shall ensure that County receives Purchased Services at the same level with no additional cost and no diminution in service attributable to the removal of the Faculty member.
- 2.5.1.7. *Academic Discipline.* University shall establish and implement a process for academic discipline of Faculty, Housestaff and Health Sciences Students. This shall not include employment actions.

2.5.1.8. *Coordination of Discipline.* To the extent permitted by law or University policy, University shall inform CEO, or as appropriate, associate administrator of a non-Hospital Primary County Facility, promptly of any adverse actions known to University against Housestaff or Faculty serving in Primary County Facilities with respect to employment status, medical staff status, academic appointment or exclusion from participation in any federal health program, which might affect the individual's right or ability to participate in County or University Training Programs or to provide patient care in any Primary County Facility. University shall coordinate with County respecting such adverse actions.

2.5.1.9. *Access to Records.* To the extent permitted by law, County and University shall have reasonable and timely access to the medical records, charts, applicable Medical Staff minutes and quality assurance data of the other Party relating to any claim or investigation related to services provided pursuant to this Agreement; provided that nothing shall require either County or University to disclose any peer review documents, records or communications that are privileged under Section 1157 of the California Evidence Code, under the Attorney-Client Privilege or under the Attorney Work-Product Privilege.

2.5.2. University Housestaff and Health Sciences Students.

2.5.2.1. *General Responsibilities.* University shall be solely responsible for supervising the academic programs of, and for selecting and educating, any University Housestaff, Health Sciences Students, or other University trainees rotating through Primary County Facilities. The number and assigned rotation of such trainees shall be subject to the approval of CEO. University shall notify CEO and Medical Director of changes to established academic schedules that could affect the volume or quality of patient care provided at Primary County Facilities. University shall use reasonable efforts to comply with the terms of County's collective bargaining agreements with and pertaining to County Housestaff, to the extent that County has notified University of the provisions in these agreements.

2.5.2.2. *Salaries and Benefits.* County shall reimburse University for University's cost of salaries, fringe benefits and workers compensation for any University Housestaff on a full-time equivalent basis for the period that they are assigned to Primary County Facilities, to the extent authorized under Addendum A. For purposes of this § 2.5.2.2, fringe benefits are those provided under applicable University employee and Housestaff plans, including vacation accrued, but not including liability insurance

or self-insurance, provision of which is addressed in §§ 2.9 and § 3.7.

2.5.3. Faculty Evaluations. University shall evaluate the performance of Faculty in meeting Faculty responsibilities (differentiated by type and status of Faculty appointment) and with respect to quality of care, resource utilization, compliance with accreditation standards and County's policies and procedures.

2.5.4. Reallocation of Personnel FTEs.

2.5.4.1. *County Notice of Request for Reallocation of FTEs.* The Parties recognize that County may provide written notice to University that the allocation of University Personnel FTEs to a particular Department, division within a Department or clinical service is insufficient to adequately address the goals and responsibilities of University with respect to the provision of Purchased Services. Any such written notice to University shall:

- (i) identify the specific Department, division within a Department or clinical service where insufficient University Personnel FTEs have been allocated;
- (ii) describe how the provision of an insufficient number of these FTEs has impacted the quality of patient care or other aspects of Hospital operation;
- (iii) identify the number of FTEs that County requests be reallocated;
- (iv) identify the specific Department, division or clinical service to which the FTEs will be reallocated at County's request

2.5.4.2. *University Response to Notice.* Upon receipt of County's Notice identified in 2.5.4.1 above, University shall have 30 days to investigate the issues raised in such Notice. Within this 30 day period University shall place the matter on the Agenda of the Facility JPO Committee to assist with formulating its response and shall provide County with a written response indicating either (i) that University will reallocate some or all of the University FTEs as requested by County or (ii) that University rejects the request to reallocate any FTEs. To the extent University rejects County's request to reallocate any FTEs, University's written response to County shall include the specific basis for this rejection.

If the basis for University's rejection is that University alleges that the issues raised pertaining to quality of patient care or other aspects of Hospital operation can be cured without reallocating FTEs, then University shall cure the issues identified in County's Notice requesting reallocation of FTEs to County's reasonable satisfaction not later than 60 days from the date of County's Notice.

2.6. Training Programs.

- 2.6.1. Accreditation of County and University Training Programs. University, with cooperation of County, shall maintain accreditation of all University Training Programs listed in Exhibit 1 that are conducted, in whole or in part, in Primary County Facilities. University shall cooperate with County's activities in maintaining the accreditation of all County Training Programs listed in Exhibit 1 that are conducted in whole or in part in Primary County Facilities and shall notify County of any matters to its knowledge that may compromise such accreditation. University shall maintain accreditation of its School of Medicine by the Liaison Committee on Medical Education and of its Schools of Pharmacy and Dentistry by the relevant accrediting bodies, and it shall maintain accreditation of all Training Programs by the ACGME and any appropriate specialty boards or other applicable accreditation bodies. In the event that any County Training Program receives a probationary accreditation status from ACGME or other applicable accreditation body, University shall provide County with all material information regarding the deficiencies cited by such accreditation body; University's work plan for ending probationary accreditation status; and regular reports on University's progress toward this end. Loss of accreditation may constitute an Event of Immediate Termination, Immediate Partial Termination, or Partial Termination for Cause, as more specifically set forth in §§ 8.3.4, 8.3.5 and § 8.4.2. The obligations set forth in this § 2.6.1 shall be subject to the terms of § 3.3.4.
- 2.6.2. Operation of University Training Programs. Training of University Housestaff and University Health Sciences Students at Primary County Facilities shall be accomplished in accordance with University procedures, in compliance with County policies and regulations identified in Exhibit 3. To the extent authorized in Addendum A or otherwise by County, Faculty may teach Health Sciences Students, and medical, dental, pharmacy, psychology, and allied health students and trainees from other institutions, rotating through Primary County Facilities.
- 2.6.3. Academic Administration of County Training Programs. University shall provide academic administration of County Training Programs as set forth in Addendum A, including education of County Housestaff in accordance with the requirements established by ACGME and any other applicable accreditation bodies. Chiefs and University shall cooperate in arranging and supervising the rotation of County Housestaff through University facilities when educationally appropriate and desired. On an annual basis, due initially

within 30 days of execution of this Agreement and in the future due no later than August 15th following the end of each Contract Year, University shall provide County with a report that: identifies the total County Housestaff approved by the accrediting body; and provides an accurate and complete listing of non-County facilities that accommodate resident rotation including the annualized number of residents rotated.

- 2.6.4. Scheduling. University shall schedule Faculty so as to meet University's obligations under this Agreement and to ensure that Health Sciences Students and Housestaff are adequately supervised at all times in accordance with Medical Staff, DHS and accreditation standards. University shall provide CEO and Medical Director with proposed Housestaff schedules annually with monthly updates indicating actual staffing assignment within thirty days of the close of the month. Medical Director shall participate in Faculty scheduling and approve the final operational Faculty and Housestaff schedules. The intensity of Faculty supervision shall be commensurate with the skills, experience and seniority of Housestaff or Health Sciences Students, with Residency Review Committee (RRC) requirements, and, when in effect, Housestaff qualification levels.
- 2.6.5. University Personnel and Rotations. University shall maintain a list of all University Personnel rotating through Primary County Facilities, including any medical, dental or independent health professions students, provide the list to Chief Medical Officer and CEO, and as appropriate, associate medical director of a non-Hospital Primary County Facility, upon execution of the Agreement, and update it as necessary thereafter. For each Department or non-Hospital Primary County Facility, the list shall include the name, location, and assignment of all University Housestaff and Health Sciences Students. University shall promptly notify County of all material changes in University Training Programs, including changes in the number of Health Sciences Students or University Housestaff assigned to or rotating through Primary County Facilities, and changes in the scope, organization or length of such education or training programs. University shall be accountable for the compliance of University Personnel with those lists. University Housestaff rotating through County facilities and programs as part of their graduate medical education shall be subject to all appropriate supervisory and regulatory requirements applicable to County Housestaff participating in such programs, including requirements regarding medical records and quality assurance activities.
- 2.7. **Research.** University shall abide by the provisions of the Bylaws with respect to review, approval and conduct of any research to be performed in Primary County Facilities and shall coordinate such research pursuant to § 2.2.1.2. Any such research is subject to the approval of the Governing Body.
- 2.8. **Academic Programs at Non-Hospital Primary County Facilities.** University shall be responsible for integrating and supervising academic programs, in the context of County and University Training Programs, at non-Hospital Primary County Facilities, including any which are described more particularly in Addendum A.

2.9. Insurance Coverage. Without limiting University's indemnification of County and during the term of this Agreement, University shall provide and maintain at its own expense the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to County and primary to and not contributory with any other insurance maintained by County. Certificate(s) or other evidence of coverage shall be delivered to County prior to commencing services under this Agreement, shall specifically identify this Agreement, and shall contain the express condition that County is to be given written notice by registered mail at least thirty (30) days in advance of any modification or termination of insurance. Failure of University to procure and maintain the required insurance shall constitute an Event of Immediate Termination pursuant to § 8.3 upon which County may immediately terminate or suspend this Agreement.

2.9.1. Liability. The following programs of insurance shall be endorsed naming County as an additional insured and shall include:

- A. General Liability insurance written on a commercial general liability form or on a comprehensive general liability form covering the hazards of premises/operations, contractual, independent contractors, advertising, products/completed operations, broad form property damage, and personal injury with a combined single limit of not less than \$1,000,000 per occurrence. If written with an annual aggregate limit, the policy limit should be two (2) times the above required occurrence limit. If written on a claims made form, University shall be required to provide an extended two year reporting period commencing upon termination or cancellation of this Agreement.
- B. Comprehensive Auto Liability insurance endorsed for all owned, non-owned, and hired vehicles with a combined single limit of not less than \$1,000,000 per occurrence.

2.9.2. Workers' Compensation. University shall maintain Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with a \$1,000,000 limit, covering all persons that University is legally required to cover.

2.9.3. Self-Insurance. County will consider a self-insured program or self-insured retention as an alternative to commercial insurance from University upon review and approval of the following:

- A. A formal declaration to be self-insured for the type and amount of coverage indicated. This can be in the form of a resolution of University's governing body or a certified statement from a University officer. University must notify County immediately of discontinuation or substantial change in the program.

- B. Agreement to provide County at least the same defense of suits and payment of claims as would be provided by first dollar commercial insurance.
- C. Agreement to notify County immediately of any claim, judgment, settlement, award, verdict or change in University's financial condition which would have a significant negative effect on the protection that the self-insurance program provides County.
- D. Name, address and telephone number of University's legal counsel and claims representative, respectively, for the self-insurance program.
- E. Financial statement that gives evidence of University's capability to respond to claims falling within the self-insured retention or self-insured program. Re-submission is required at least annually for the duration of this Agreement or more frequently at County's request. Failure to comply will result in withdrawal of County approval.

The proposed self-insurance program must be approved by County prior to the start of this Agreement.

3. RESPONSIBILITIES OF COUNTY

3.1. Administration and Governance of Primary County Facilities.

- 3.1.1. General. DHS Director or his or her designee is authorized to administer this Agreement on behalf of County. County, through DHS Director, is responsible for the governance, administration and operation of Primary County Facilities. Chief Medical Officer shall oversee County Training Programs and coordinate County and University Training Programs throughout Primary County Facilities and monitor program implementation and accountability.
- 3.1.2. CEO. DHS Director shall appoint a CEO for Hospital. CEO shall be responsible for the day-to-day administration and operation of Hospital, shall be authorized to act on behalf of County in matters relating to the administration and performance of this Agreement, and shall be responsible for Hospital compliance with the terms of this Agreement.
- 3.1.3. Medical Director.
 - 3.1.3.1. *General*. County, through Chief Medical Officer and CEO, shall designate a Medical Director, who shall be responsible for monitoring and overseeing clinical services provided under this Agreement and ensuring Medical Staff compliance with the Bylaws. The Medical Director shall be a County employee. It is the intent of the Parties that a single individual shall serve as Academic Administrator and Medical Director.

- 3.1.3.2. *Selection Process.* Candidates for Medical Director shall be selected pursuant to § 4.11.
- 3.1.3.3. *Assignment.* County shall be solely responsible for the final selection of Medical Director from among candidates identified pursuant to § 4.11, in accordance with County's civil service and personnel policies, as applicable, and the Bylaws. Qualification by University for appointment as Academic Administrator is a preferred qualification for Medical Director.
- 3.1.3.4. *Reassignment.* Loss by Medical Director of Academic Administrator standing shall trigger a review by County, which shall determine whether to reassign the individual from his or her duties as Medical Director. Reassignment of Medical Director for any reason whatsoever shall be in accordance with any applicable County personnel policies and provisions of the Bylaws, and in the sole discretion of County.
- 3.1.3.5. *Duties.* Subject to the authority of Chief Medical Officer, Medical Director's responsibilities shall include:
 - 3.1.3.5.1. Patient Care Policies. Assistance in developing, and in informing University Personnel of, applicable patient care policies and initiating appropriate action to correct noncompliance.
 - 3.1.3.5.2. Clinical Management and Supervision. Oversight of clinical operations, and medical management of all physician services, rendered at Primary County Facilities.
 - 3.1.3.5.3. Quality Improvement. Oversight of quality improvement activities as set forth in the Bylaws and of the activities of Hospital's quality improvement committee. Medical Director shall be responsible to Chief Medical Officer for oversight of Medical Staff quality improvement activities.
 - 3.1.3.5.4. Bylaws. Periodic review of the Bylaws, initiation of any amendments necessary to bring them into conformity with current professional standards or this Agreement, and monitoring physician compliance with the Bylaws.
 - 3.1.3.5.5. JCAHO Accreditation. Monitoring physician compliance with JCAHO standards.

- 3.1.3.5.6. ACGME Accreditation. Monitor and facilitate institutional compliance with ACGME standards and requirements with respect to County Training Programs.
- 3.1.3.6. *Associate Medical Directors for Primary County Facilities.* For the appointment of an associate medical director for any Primary County Facility, except as otherwise agreed, County shall follow the same selection, assignment and reassignment procedures as set forth in § 4.11, as applicable, as used for Medical Director. The duties of an associate medical director at a Primary County Facility shall be the same, as applicable, as for Medical Director unless otherwise determined by CEO in consultation with Medical Director, provided that the associate medical director shall be subject to oversight by the Medical Director in delivering any clinical Purchased Services.
- 3.1.4. Medical Staff. County, through Chief Medical Officer or his or her designee, shall organize the Medical Staff in accordance with JCAHO and State of California medical staff requirements. Members of the Medical Staff shall be responsible for all clinical activities authorized under the Bylaws, subject to the authority of the Governing Body.
- 3.2. **Program Planning.** County shall participate in joint planning and operations through the System JPO and Facility JPO Committees, as set forth in § 9.
- 3.3. **Operations of Primary County Facilities.**
 - 3.3.1. General. County is responsible for operations and facilities at Primary County Facilities, including the provision of qualified non-physician personnel (other than University Personnel) in adequate numbers, such adequate non-physician personnel to include administrative and clerical support staff, nursing staff, phlebotomy function support, transport services, orthopedic technicians, anesthesia technicians and physician assistants; and sufficient supplies, equipment, support and facilities. County shall provide these resources at levels sufficient to maintain a high quality University tertiary care teaching hospital in compliance with accreditation standards of JCAHO, ACGME and other accrediting and regulatory bodies and in conformity with all applicable state and federal laws, rules, regulations and standards.
 - 3.3.2. Security. County shall maintain appropriate security measures to protect University Personnel in Primary County Facilities, including parking facilities, on-call quarters and grounds.
 - 3.3.3. Medical Records. County Personnel shall cooperate in the timely completion and maintenance of a complete medical record for each patient encountered at Primary County Facilities in accordance with Bylaws and applicable state and County regulations. County shall maintain a medical records department

sufficient to: (i) meet the requirements of applicable laws, regulations and accreditation requirements; (ii) support patient care, the education of Housestaff and Health Sciences Students, and quality-assurance/performance improvement activities; and (iii) provide a resource for scholarly activity in compliance with the rules and regulations governing approved medical research. County shall retain medical records for the legally required time period and make charts available to University Personnel in a timely manner as necessary for scheduled clinic visits, Hospital admissions, mortality and morbidity reviews, preparation of responses to citations, reimbursement appeals, billing, other claims brought by third parties and approved medical research.

3.3.4. Training Program Support. County shall maintain adequate non-physician staff (other than University Personnel) and facilities, as appropriate, to meet the educational and supervisory objectives of County and University Training Programs in a manner consistent with the standards established by ACGME and any other applicable accreditation or regulatory bodies. In the event that any individual academic program may be precluded from meeting ACGME standards by County's failure to provide adequate staff and facilities or County's reduction in the volume of Purchased Services pursuant to § 5.6, University shall bring this to the attention of the Facility JPO Committee. The Facility JPO Committee shall consider the matter and provide recommendations pursuant to § 9.2. Until such time as County restores staff and facilities, or volume of Purchased Services, to adequate levels to meet ACGME or other applicable accreditation standards, University shall be relieved of its obligation to maintain and meet the accreditation standards as provided in § 2.6 and the performance standards set forth in Addendum B and elsewhere in this Agreement with respect to the deficient County Training Program. Such relief of University obligations shall not, however, relieve the County of its obligation to provide Training Program support under this Agreement. In the event that County fails to provide adequate staff and facilities as required in this § 3.3.4 or reduces the volume of Purchased Services pursuant to § 5.6, University may, at its option, deem the failure an Event of Termination for Cause pursuant to § 8.4.

3.3.5. Knowledge of and Compliance with County Policies. County shall include University Personnel, as may be applicable, in training sessions regarding County policies and University shall cooperate with County in instructing University Personnel regarding County policies.

3.3.6. Patient Complaints. County shall make a good faith effort to address patient complaints, to bring those matters relating to University Personnel to the attention of University, and to cooperate with University in addressing any such complaints.

3.4. Personnel Responsibilities.

3.4.1. General. County shall be responsible for hiring, scheduling, promoting, compensating, disciplining (other than academic discipline) and terminating

County Personnel. County shall use its best efforts to ensure that the job description for each physician to be hired by County to practice in Primary County Facilities shall correspond to University's criteria for Faculty appointments.

- 3.4.2. Employment of County Housestaff. County shall be solely responsible for the selection and employment of County Housestaff from the list of academically qualified candidates developed by University pursuant to § 2.5.1.3.
- 3.4.3. Recruitment of Academic Administrator. County shall cooperate with University in recruiting, evaluating and selecting Academic Administrator, pursuant to § 2.2.2.2; provided that University is solely responsible for the selection and appointment.
- 3.4.4. Performance Evaluations. At such times as University Representative may request, CEO shall participate in performance evaluations of Academic Administrator or any Chief; provided that University shall be solely responsible for such evaluations.
- 3.4.5. Coordination of Discipline of University Personnel. To the extent permitted by law and County policy, County shall promptly inform University of any adverse actions by County against University Personnel with respect to County employment status or medical staff status, which might affect the individual's right or ability to participate in a Training Program, provide patient care, or carry out his or her University employment duties in any Primary County Facility. County shall coordinate and work with University to address such matters.
- 3.4.6. Discipline of County Personnel. County shall be responsible for the discipline of County Personnel, including County Housestaff, other than academic discipline. County shall seek the cooperation of University in any disciplinary matter in which County Personnel perform services under this Agreement and shall investigate any University complaints regarding County Personnel to determine the necessity for appropriate action. If a complaint provides reasonable grounds to believe that the safety of any person in Primary County Facilities may be at risk, then, consistent with established County civil service rules, County procedures and the Bylaws, County shall exclude or temporarily reassign such County Personnel from Primary County Facilities, pending resolution of the complaint. This provision does not preclude University from taking disciplinary action in accordance with § 2.5.1.7.
- 3.4.7. [THIS SECTION INTENTIONALLY LEFT BLANK.]
- 3.4.8. Health and Safety of Housestaff and Health Sciences Students. County shall protect the health and safety of Housestaff and Health Sciences Students on rotation at Primary County Facilities by providing each Housestaff / Health Sciences Student with the following:

- 3.4.8.1. *County Security Information.* Orientation of the type and scope provided by County to its new employees, including information about County's security measures, fire safety and disaster protocols, and any additional recommended personnel safety and security precautions.
- 3.4.8.2. *Infection Control Procedures.* Instruction in County's policies and procedures for infection control, including the handling and disposal of needles and other sharp objects, and in County's protocols for on-the-job injuries, including those resulting from needlestick injuries and other exposures to blood or body fluids or airborne contaminants.
- 3.4.8.3. *Emergency Treatment.* First aid and other emergency treatment on-site, including immediate evaluation for risk of infection and appropriate follow-up care of Housestaff / Health Sciences Students in the event of a needlestick injury or other exposure of Housestaff / Health Sciences Students to blood or body fluids or airborne contaminants. In the case of suspected or confirmed exposure to the human immuno-deficiency virus (HIV) or hepatitis, such follow-up care shall be consistent with County policies and the current guidelines of the Centers for Disease Control and Prevention ("CDC") and the community's standard of care. Information regarding the CDC guidelines may be obtained by calling the CDC directly. The initial care and administration of testing and prophylactic therapy shall be provided by County. Subsequent care of Housestaff/ Health Sciences Students shall be paid pursuant to the mutual agreement of Parties.
- 3.4.8.4. *Facilities.* Information concerning provision of parking, meals, lockers, and appropriate access to on-call rooms, lounge, restrooms and shower facilities, as applicable.

3.5. Real and Personal Property. Unless prohibited by CEO, University shall be permitted to use such real and personal property of County as necessary in fulfilling its obligations hereunder.

3.6. Training and Teaching Programs.

- 3.6.1. Accreditation of County and University Training Programs. County shall cooperate with University in order to maintain accreditation of any County Training Program with which University is involved pursuant to this Agreement. County shall cooperate with University's activities in maintaining accreditation of any University Training Program implemented, in whole or in part, in Primary County Facilities and shall notify University of any matters to its knowledge that may compromise such accreditation.

- 3.6.2. County Housestaff in University Programs. County Housestaff rotating through University facilities and programs as part of their graduate medical education shall be subject to all appropriate supervisory and regulatory requirements applicable to University Housestaff participating in such programs, including requirements regarding medical records and quality assurance activities.
- 3.6.3. Consolidation and Coordination of County Training Programs and Coordination of University Training Programs. Chief Medical Officer shall consult with each Primary County Facility and University through the System JPO and Facility JPO Committees to identify strengths and weaknesses and determine whether coordination and consolidation of County Training Programs and coordination with University Training Programs should occur. In the event that any County Training Programs are consolidated, County agrees that current residents and newly accepted residents shall be permitted to complete their respective residency Training Programs consistent with ACGME or other applicable regulatory requirements. Any such consolidation shall be noticed and phased in to permit the proper reallocation of resources. Any decision regarding the consolidation of County Training Programs will be based in part on the general objective of fair and equitable distribution among the universities with which County has medical school affiliations, and County will take into account the impact that such consolidation will have on University's educational mission.
- 3.6.4. Health Sciences Student Rotations. County shall give University's Health Sciences Students priority in their rotations through Primary County Facilities over students from other universities. County shall notify University of any Health Sciences Students from other universities rotating through Primary County Facilities, and the GMEC shall monitor such rotations.
- 3.7. **Insurance Coverage.** Without limiting County's indemnification of University and during the term of this Agreement, County shall provide and maintain at its own expense the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to University and primary to and not contributory with any other insurance maintained by University. Certificate(s) or other evidence of coverage shall be delivered to University prior to commencing services under this Agreement, shall specifically identify this Agreement, and shall contain the express condition that University is to be given written notice by registered mail at least thirty (30) days in advance of any modification or termination of insurance. Failure of County to procure and maintain the required insurance shall constitute an Event of Immediate Termination pursuant to § 8.3 upon which University may immediately terminate or suspend this Agreement.
- 3.7.1. Liability. The following programs of insurance shall be endorsed naming the University as an additional insured and shall include:
- A. General Liability insurance written on a commercial general liability form or on a comprehensive general liability form covering the hazards of premises/operations, contractual, independent contractors,

advertising, products/completed operations, broad form property damage, and personal injury with a combined single limit of not less than \$1,000,000 per occurrence. If written with an annual aggregate limit, the policy limit should be two (2) times the above required occurrence limit. If written on a claims made form, County shall be required to provide an extended two year reporting period commencing upon termination or cancellation of this Agreement.

- B. Comprehensive Auto Liability insurance endorsed for all owned, non-owned, and hired vehicles with a combined single limit of not less than \$1,000,000 per occurrence.
- C. Hospital and professional liability insurance covering liability from any error, omission or negligent act of County, its officers, employees or agents, or University Personnel and University Housestaff providing Purchased Services, with a limit of liability of at least \$1,000,000 per claim.

3.7.2. Workers' Compensation. County shall maintain Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with a \$1,000,000 limit, covering all persons that County is legally required to cover.

3.7.3. Self-Insurance. University will consider a self-insured program or self-insured retention as an alternative to commercial insurance from upon review and approval of the following:

- A. A formal declaration to be self-insured for the type and amount of coverage indicated. This can be in the form of a resolution of Governing Body or a certified statement from a County officer. County must notify University immediately of discontinuation or substantial change in the program.
- B. Agreement to provide University at least the same defense of suits and payment of claims as would be provided by first dollar commercial insurance.
- C. Agreement to notify University immediately of any claim, judgment, settlement, award, verdict or change in County's financial condition which would have a significant negative effect on the protection that the self-insurance program provides University.
- D. Name, address and telephone number of County's legal counsel and claims representative, respectively, for the self-insurance program.
- E. Financial statement that gives evidence of County's capability to respond to claims falling within the self-insured retention or self-insured program. Re-submission is required at least annually for the duration of

this Agreement or more frequently at University's request. Failure to comply will result in withdrawal of University approval.

The proposed self-insurance program must be approved by University prior to the start of this Agreement.

4. JOINT RESPONSIBILITIES

- 4.1. Compliance and Cooperation.** Parties shall work cooperatively in seeking to accomplish the purposes of this Agreement. County and University agree to work together to the extent feasible to balance University's academic mission and program needs with County's mission and goals, including excellence in clinical care, accessibility of care, and the efficient utilization of resources. Academic Administrator shall play a pivotal role in these efforts. University and County jointly shall train Faculty and Housestaff in, and oversee their compliance with, applicable Medicare and MediCal billing guidelines with respect to physician services. The Parties shall meet as necessary on all matters including, but not limited to, the review of University Faculty recruitment actions involving County employed physicians paid through this Agreement.
- 4.2. Annual Addenda.** With the exception of the "Hospital Performance Goals" set forth in B.3.2 of Addendum B which may be revised upon shorter notice, the Parties shall consider the annual recommendations of the CEO and the Facility JPO Committee (see § 9.2.2) regarding the need to amend the Addenda, and shall reach consensus on any amendment at least sixteen (16) months before the applicable Contract Year (e.g., by March 1, 2007, for amendments effective in the Contract Year beginning July 1, 2008). Unless otherwise agreed, amendments to the Addenda shall take effect on the first day of the Contract Year beginning no less than sixteen (16) months after their adoption. If Parties fail to reach such consensus on an Addendum, then the terms and conditions of the Addendum in effect immediately preceding the Contract Year in question shall remain in effect; except as otherwise provided in § 5.6. In no event shall compensation provisions be revised more frequently than every twelve (12) months.
- 4.3. Third Party Revenue.** Each Party shall require personnel under its supervision to work cooperatively to enable the other to recover all available and appropriate third party reimbursement.
- 4.4. Avoidance of Detrimental Activities.** Consistent with the need to maintain high quality clinical care and academic Training Programs, Parties shall seek to avoid activities that unnecessarily increase the costs or decrease third party reimbursement for services provided at Primary County Facilities. County shall use its best efforts to avoid cost reduction activities that harm Training Programs. Although University and County shall cooperate to resolve any conflicts that may arise between clinical and academic programs, County retains the sole right and responsibility to allocate its clinical resources as County deems appropriate, subject to County's obligations pursuant to § 3.3.4.
- 4.5. Risk Management and Quality Improvement.** To the extent permitted by law, Parties shall exchange information for risk management purposes, including incident

reports, necessary to the defense of actions brought against County and University. As necessary in exchanging such information, Parties shall provide for protection of privileged information through joint confidentiality agreements for defense.

- 4.6. **Faculty Distribution.** County shall consult with University, and University shall cooperate with County within the bounds of its contractual obligations to facilitate the movement of Faculty to those Primary County Facilities in which their clinical services are most needed.
- 4.7. **Clinical Pathways and Practice Guidelines.** University and County shall cooperate in the development and implementation of clinical pathways or practice guidelines in coordination with County's clinical resource management process.
- 4.8. **Scheduling.** University, through its Chiefs, shall develop and implement duty schedules for the allocation of County Housestaff, subject to County approval and consistent with University's and County's educational goals and objectives. Duty hours and on-call schedules shall focus on the needs of the patient, continuity of care, and the educational needs of Housestaff. Duty hours shall be consistent with the institutional and ACGME program requirements applicable to the respective Training Program. Housestaff's learning objectives shall not be compromised by excessive reliance on Housestaff to fulfill Primary County Facilities' institutional service obligations, and Housestaff shall be provided appropriate backup support when patient care responsibilities are unusually difficult or prolonged.
- 4.9. **Housestaff Qualification Levels.**
 - 4.9.1. General. County shall establish a system-wide process for assigning Housestaff qualification levels to Housestaff in County Training Programs. University shall assist and participate in the development of qualification levels.
 - 4.9.2. Housestaff Performance. Each Chief shall oversee the performance of Housestaff in his or her Department.
 - 4.9.3. Implementation of Housestaff Qualification Levels. A member of the Medical Staff shall directly supervise any activity or procedure performed by Housestaff, as appropriate. Each Chief shall be responsible for the performance of his or her Department's Housestaff at the appropriate level.
- 4.10. **Compliance with Accreditation Standards.** Parties shall perform this Agreement, to the extent practicable, in accordance with the standards of JCAHO, Title 22 of the California Code of Regulations, and any other accreditation agencies with jurisdiction to review and approve teaching hospitals in California.
- 4.11. **Selection of Medical Director.** In the event of a vacancy, County and University shall participate jointly in recruiting, evaluating and selecting candidates to fill the position of Medical Director, or of associate medical director for any Primary County Facility other than Hospital; provided that County is solely responsible for the final selection and appointment, pursuant to § 3.1.3.3. Any such selections shall take into account County's goal of promoting diversity by actively recruiting and striving to achieve a

level of participation of women and ethnic minorities in the work force commensurate with their availability in the relevant labor market and by promoting a work force that is culturally competent and qualified to provide effective service delivery to the community.

- 4.12. Selection and Reassignment of Chiefs.** In the event of a vacancy in the position of Chief of a Department, County and University shall participate jointly in recruiting, evaluating and selecting candidates to fill the position. University shall appoint a Chief from among such candidates in accordance with its personnel policies, subject to the concurrence of County and in accordance with the Bylaws. University shall reassign an individual from his or her duties as a Chief at its own discretion or upon the written request of County. The selection of Chiefs shall take into account County's goal of promoting diversity by actively recruiting and striving to achieve a level of participation of women and ethnic minorities in the work force commensurate with their availability in the relevant labor market and by promoting a work force that is culturally competent and qualified to provide effective service delivery to the community.

5. PURCHASED SERVICES

- 5.1. General.** University shall provide Purchased Services to County at Primary County Facilities as set forth in Addendum A and elsewhere in this Agreement. The provision of Purchased Services is intended to maintain and improve: (i) the academic and clinical environment of Primary County Facilities; (ii) the quality of patient care at Primary County Facilities; and (iii) the educational programs operated at those facilities.
- 5.2. [THIS SECTION INTENTIONALLY LEFT BLANK.]**
- 5.3. Provision of Academic Services.** The academic component of Purchased Services shall be provided by University through Academic Administrator, associate academic administrators at non-Hospital Primary County Facilities, Chiefs and Faculty, and shall consist of supervision and training of County Housestaff as set forth in Addendum A and elsewhere in this Agreement. University shall provide academic services to County at a level sufficient to address the following goals, as further developed in Addendum B:
- A. Continued accreditation of County Training Programs at Primary County Facilities by ACGME and other national accreditation bodies, as applicable;
 - B. Strong performance by County Housestaff on in-service clinical competency examinations and national post-residency certification examinations;
 - C. Academic accomplishment and achievement by Faculty sufficient to maintain the high quality of the academic programs at Primary County Facilities; and
 - D. The maintenance of a high quality teaching environment in which the educational needs of Housestaff are of paramount importance.

5.4. Provision of Clinical Services.

The clinical component of Purchased Services shall be provided by University and shall consist of clinical services as set forth in Addendum A and elsewhere in the Agreement. The Parties recognize that the quality of Purchased Services is important and that all Purchased Services will be provided by duly licensed and credentialed individuals. Should County determine that clinical services are being provided by an individual who is not duly licensed and credentialed or Chief Medical Officer determines that any University Personnel who are providing Purchased Services hereunder (i) have violated applicable rules or regulations, or (ii) such individual's actions, while on County premises, may harm County patients, County may demand that in accordance with Section 2.4.1 that University remove such individual from providing further clinical Purchased Services. Immediately upon receipt of County's demand, University shall remove such individual from the provision of clinical Purchased Services.

5.4.1. Care to All Patients. University shall, subject to the terms and limitations of Addendum A and other provisions of this Agreement, provide the quality and volume of clinical services required to meet the medical needs of patients at Primary County Facilities, including those who may experience limited access to other providers due to financial, social, cultural, geographic, or medical reasons, or who have other special needs. University shall ensure that each patient is assigned an attending physician and shall provide the same quality of care to all patients, regardless of financial sponsorship or ability to pay.

5.4.2. Off-Site Services. If University Personnel serving as attending physician shall determine that diagnostic or therapeutic services necessary for the delivery of appropriate medical care are not available at Primary County Facilities, that physician shall arrange for the necessary services to be delivered elsewhere to the extent possible, in accordance with § 2.4.3 and County policy.

5.5. Management Services. University, subject to the oversight of CEO, shall provide administration and management of all clinical departments of Primary County Facilities through Chiefs, or the associate medical directors or associate academic administrators at non-Hospital Primary County Facilities. Chiefs shall be responsible for managing their respective Departments in compliance with all relevant professional standards, JCAHO standards, County policies, and this Agreement.

5.5.1. Delivery of Purchased Services. Chiefs shall supervise and direct the delivery of Purchased Services by University Personnel in their Departments and shall be responsible to Academic Administrator and University Representative for all activities relating to the delivery of Purchased Services.

5.5.2. Budget Matters. Chiefs shall be responsible for development of the annual budget for their Departments, under the direction of University Representative and in consultation with the CEO and Chief Medical Officer, and for managing their budgets in accordance with the final budget approved by County.

- 5.5.3. Compliance with Agreement and County Policies. Chiefs shall use best efforts to assure that Housestaff and University Personnel in their Departments conduct themselves in accordance with applicable Bylaws, County policies, rules, regulations and this Agreement. Such conduct includes participation in any County orientation and training programs as may be required for County Personnel with similar responsibilities.
- 5.5.4. Non-Vacancy Requirement. When the Academic Administrator or a Chief will be absent from Primary County Facilities and not readily available within a reasonable period of time, he or she shall designate an individual to assume his or her duties and responsibilities and shall so notify in advance University Representative, CEO and Medical Director.
- 5.6. **County Reductions in Volume of Purchased Services.** Nothing in this Agreement shall restrict the right of County to reduce the volume of Purchased Services and to revise Addendum A implementing such a reduction, provided that County shall notify University of such reduction by no later than February 15 prior to the Contract Year in which the reduction is to take effect. University may accept such reduction; or University may in its discretion deem the reduction an Event of Termination for Cause, pursuant to § 8.4.

6. PAYMENT FOR PURCHASED SERVICES

- 6.1. **Payment to University for Purchased Services.** County shall compensate University in advance, on the first day of each calendar quarter, for the provision of Purchased Services at the rates set forth in Addendum A. In no event shall the compensation provisions be revised more frequently than every twelve (12) months. For each Contract Year, Parties shall reconcile County's payments to University with the actual volume of Purchased Services rendered, within four (4) months after the Contract Year ends.
- 6.2. **Volume of Services.** Purchased Services shall be provided and compensated at such levels as are more specifically identified in Addendum A for the respective Contract Year. In preparation for developing Addendum A, each year County and University shall discuss a proposed budget for the upcoming Contract Year by March 1.
- 6.3. **Productivity and Performance Measures.** Parties shall develop and monitor productivity and performance measures, as more specifically provided in Addendum B.

7. REVENUE AND BILLING

- 7.1. **Billing and Collection of Charges.** Unless otherwise authorized in writing by Chief Medical Officer, only County may bill for services rendered to patients in Hospital. In the event that University is permitted to bill for professional services, County and University shall mutually agree to written procedures and guidelines for such billing.
- 7.2. **Patient Charges.** Each Party shall use best efforts to ensure that all appropriate charges are entered for each patient, as applicable.

- 7.3. **Information for Cost Reporting.** University shall promptly fulfill County's requests for information reasonably necessary to meet cost reporting requirements.
- 7.4. **Information and Accounting Systems.** Parties shall use generally accepted accounting principles and practices.

8. TERM AND TERMINATION

- 8.1. **Term.** The effective date of this Agreement shall be August ____, 2006. This Agreement will remain in full force and effect for the remainder of the initial Contract Year and for a term of five (5) full Contract Years unless otherwise terminated as provided below. At the end of each Contract Year, the term shall be automatically extended for an additional year, unless either Party serves notice of non-renewal ninety (90) days prior to the end of the current Contract Year, in which case the Agreement shall expire four (4) years from the end of the current Contract Year.
- 8.2. **Preservation of Other Remedies.** Failure of non-breaching Party to elect termination under the provisions of this § 8 shall not constitute a waiver of other remedies.
- 8.3. **Immediate Termination.** The following shall constitute Events of Immediate Termination, and the non-breaching Party may terminate this Agreement immediately upon providing written notice of breach and immediate termination, or upon such other date as provided in the notice.
- 8.3.1. Regulatory. Except as otherwise provided in §§ 8.3.4 or 8.3.5, loss by either Party of any essential accreditation, including but not limited to Medi-Cal, Medicare, or other Centers for Medicare and Medicaid Services (CMS) accreditation, or any license or permit required by law for the provision of services under this Agreement, which substantially affects the defaulting Party's ability to perform its obligations under this Agreement. Loss of accreditation by any Department or Training Program shall not automatically be deemed essential for purposes of this § 8.3.1. Notice of breach and immediate termination shall also be provided to the Facility JPO, which shall have thirty (30) days before termination takes effect to review the notice of breach and make recommendations to the Parties regarding alternatives.
- 8.3.2. Destruction of Premises. Whole or partial destruction during the term of this Agreement of Hospital by casualty, if Parties agree that it is thereby rendered unsuitable for the provision of Purchased Services as contemplated, and other suitable facilities are not reasonably available.
- 8.3.3. Improper Consideration. The proffer or provision of consideration in any form by University, either directly or through an intermediary, to any County officer, employee or agent with the intent of securing this Agreement or securing favorable treatment with respect to the award, amendment or extension of the Agreement or the making of any determinations with respect to University's performance pursuant to this Agreement. Such improper consideration, among other items, may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts. University

shall report any attempt by a County officer or employee to solicit improper consideration for such purposes immediately upon becoming aware of any such attempt. The report shall be made either to County's manager charged with the supervision of the employee or the County Auditor-Controller's Employee Fraud Hotline (currently 213/974-0914 or 800/544-6861).

8.3.4. Loss of ACGME Accreditation. Loss of ACGME institutional or RRC level accreditation (without recovery) by County Training Programs in which more than fifteen percent (15%) of the total budgeted full-time equivalents (FTEs) of County Housestaff are enrolled, shall constitute a breach by University and an Event of Immediate Termination; unless such ACGME accreditation was lost (i) due to County's failure to fulfill its obligations pursuant to § 3.3.4 or Addendum A and such failure is a "but for" cause of the loss of accreditation, (ii) due to County's collective bargaining agreements with County Housestaff, or (iii) without fault on the part of University. Loss of ACGME institutional or RRC level accreditation by any County Training Program shall constitute an event of Immediate Partial Termination or an Event of Partial Termination for Cause, as set forth in §§ 8.3.5 and 8.4.2, respectively.

8.3.5. Immediate Partial Termination. If a breach of this Agreement by University that results in an Event of Immediate Termination is limited to individual Departments or County Training Programs, then County may terminate this Agreement with respect to any such Department or County Training Program in lieu of termination of the entire Agreement. Loss of ACGME institutional or RRC level accreditation by any County Training Program shall constitute an Event of Immediate Partial Termination with respect to academic Purchased Services provided in that discredited program. Upon notice by County, academic responsibilities under this Agreement will be terminated with respect to such discredited County Training Program (or Programs); provided that, to the extent that County authorizes the continued enrollment of County Housestaff in such program (or programs), University shall continue to provide and County shall continue to pay for the academic Purchased Services necessary for their ongoing support. County payments to University shall be reduced in a pro rata amount to reflect any such partial termination of Purchased Services. This § 8.3.5 shall not apply if ACGME institutional or RRC level accreditation was lost due to County's failure to fulfill its obligations pursuant to § 3.3.4 or Addendum A and such failure is a "but for" cause of the loss of accreditation, or due to County's collective bargaining agreements with County Housestaff.

8.3.6. Other Events. Violation of § 2.9 or § 3.7 (insurance coverage), § 12.4.5 (nondiscrimination in employment), § 12.12 (subcontracting), § 12.18 (County lobbyists), §12.25 (interruption of service); or violation of County's obligations under § 6.1 (payment to University within sixty (60) days after receipt of notice under § 8.3).

8.4. **Termination for Cause.** Upon an Event of Termination for Cause, the non-defaulting Party may terminate this Agreement by serving written notice of termination, to be effective as of the end of the next Contract Year which terminates no less than fifteen

(15) months after such notice is given, regardless of any notice to or deliberations by the Facility JPO Committee. Such notice shall also be provided to the Facility JPO Committee, which shall have thirty (30) days to review the notice and make recommendations to the Parties regarding alternatives other than termination. Such recommendations from the Facility JPO Committee shall be non-binding. Provided the Facility JPO Committee has considered the dispute and has either provided recommendations to Parties or failed to do so within thirty (30) days following submission of the dispute to the Facility JPO Committee (or such other period as agreed by Parties), the following shall constitute Events of Termination for Cause under this Agreement.

- 8.4.1. Material Breach. Except as otherwise provided in this Agreement, any material breach not remedied within ninety (90) days after receipt of notice of the breach, including any event that becomes an Event of Termination for Cause pursuant to § 3.3.4 (training program support); § 4.1 (compliance and cooperation); § 5.6 (reductions in volume of Purchased Services); § 10.3.6 (records and audits); § 12.6 (performance during disaster or unrest); § 12.10.2 (payment of contingent fees); § 12.13 (compliance); § 12.19 (child support certification); § 12.21 (severability); or such obligation as may be set forth in Addendum A regarding development of a data collection system. If the Party in breach has undertaken diligent good faith efforts to remedy the breach within forty-five (45) days after receipt of notice, then the period for remedy shall be extended to such time as is reasonably necessary and appropriate for the accommodation of both Parties.
- 8.4.2. Partial Termination for Cause. If a material breach of this Agreement by University is limited to a single Department or County Training Program, then the non-breaching Party may deem such breach an Event of Partial Termination for Cause and terminate this Agreement with respect to such Department or County Training Program in lieu of termination of the entire Agreement. Payments under this Agreement shall be reduced in a pro rata amount to reflect the elimination of the Department or County Training Program from this Agreement. Loss of ACGME institutional or RRC level accreditation by any County Training Program shall constitute an Event of Partial Termination for Cause with respect to clinical Purchased Services in the Department affiliated with that discredited program. Parties recognize that adequate support of the remaining County Training Programs may require the retention of certain Faculty members from a County Training Program that is subject to Partial Termination for Cause. This § 8.4.2 shall not apply if ACGME institutional or RRC level accreditation was lost due to County's failure to fulfill its obligations pursuant to § 3.3.4 or Addendum A and such failure is a "but for" cause of the loss of accreditation, or due to County's collective bargaining agreements with County Housestaff.
- 8.4.3. Closure of Premises. Complete closure of Hospital during the term of this Agreement is an event of Termination for Cause if Parties agree that closure will render Hospital unsuitable for the provision of Purchased Services and other suitable facilities are not reasonably available. Notwithstanding the foregoing, the planned closure of Hospital as part of the planned move to the

facility intended to function as a replacement facility for Hospital shall not be considered a closure of Hospital subject to this § 8.4.3.

- 8.5. Effects of Termination, Continuing Responsibilities of the Parties.** County shall pay University for services rendered up to the effective date of any termination, subject to the terms of this Agreement. Upon termination, Parties shall have no further obligations under this Agreement except as follows:

- 8.5.1. Cooperation. In the event either Party terminates this Agreement, whether or not for cause, Parties shall jointly develop and implement a plan for disaffiliation which provides for the continuation of quality patient care and medical education programs and recognizes the limits of available resources.
- 8.5.2. Survival. The following provisions of this Agreement shall survive its termination and expiration: § 11 (indemnification), §§ 2.9 and 3.7 (insurance), § 2.1.2.5.2 (indemnification for exclusion from federal health care programs), § 2.5.1.9 (access to records), § 4.5 (risk management), this § 8.5 (continuing responsibilities), § 10.3 (records and audit), § 12.2 (confidentiality), § 12.12.2 (indemnification for subcontracting), § 12.15 (indemnification for fair labor standards), and § 12.16 (indemnification for employment eligibility verification), and § 12.22 (investigations).
- 8.5.3. Patient Care Responsibilities. In the event of termination, University shall cooperate fully with County to transfer patient care to such service replacement as County elects. County shall diligently seek to obtain replacement medical services upon or as soon as possible after termination. University shall not abandon any patient in need of continued care who was under University's care as of termination, until replacement medical services are available. Services provided by University during the transition of patient care responsibilities following termination of this Agreement shall be paid under the terms of this Agreement.

9. JOINT PLANNING AND OPERATIONS COMMITTEES

- 9.1. General.** To facilitate coordinated planning, monitor performance and provide joint recommendations regarding any disputes under this Agreement, Parties shall establish two (2) advisory committees: a System-Wide Joint Planning and Operations Committee ("System JPO Committee") and a Facility Joint Planning and Operations Committee ("Facility JPO Committee").
- 9.1.1. Composition of System JPO Committee. System JPO Committee members shall include Chief Medical Officer, who shall chair all meetings; DHS' Director of Operations; University Representative, and the university representative designated by each of County's other two affiliated universities pursuant to their respective medical school affiliation agreements; Medical Director and CEO, and the medical director and administrator of each County hospital subject to such other affiliation agreements. System JPO Committee shall be staffed by the Office of Chief Medical Officer; County Counsel; counsel for University; counsel for each of the other affiliated universities; or

such other staff as designated by the System JPO Committee. Initial appointments shall be made within thirty (30) days following execution of this Agreement. Additional members may be appointed as determined by the System JPO Committee.

- 9.1.2. Composition of Facility JPO Committee. Facility JPO Committee members shall include Medical Director, University Representative, CEO, one member designated by University Representative, and one member designated by Medical Director in consultation with CEO. Medical Director shall chair all meetings. Initial appointments shall be made within thirty (30) days following execution of this Agreement. Additional members or staff may be appointed as determined by the Facility JPO Committee.
 - 9.1.3. Meetings. The Facility JPO Committee and the System JPO Committee shall meet as needed, but at least quarterly.
 - 9.1.4. Protocol. The Facility JPO Committee shall address issues relating to the Primary County Facilities and to the performance of this Agreement. The System JPO Committee shall address matters of joint concern among any of the County's affiliated universities, facilitate communication and permit deliberation on issues relevant to the affiliations. Parties anticipate that most committee decisions shall be made by consensus. Either Party, or with respect to the System JPO Committee, any other university represented, may propose agenda items. Parties shall fully consider any System JPO or Facility JPO Committee analyses and recommendations before acting on matters of joint concern; provided that System JPO Committee recommendations shall be strictly advisory. Parties recognize that each Party retains final control over its own staffing and program decisions.
- 9.2. **Facility JPO Committee Responsibilities.** In general, the Facility JPO Committee shall consider issues affecting the performance of this Agreement. It shall present to Parties recommendations whose effect is substantially limited to this Agreement or to Primary County Facilities. It shall present to the System JPO Committee any recommendations more broadly affecting County's other medical school affiliations or County facilities subject to those affiliations.
- 9.2.1. Issues. The Facility JPO Committee shall consider issues as set forth below and shall present its recommendations to Parties or, as appropriate, to the System JPO Committee. Matters for Facility JPO Committee consideration shall include:
 - A. Joint strategic planning addressing the type and volume of Purchased Services, taking into account the health care needs of County's constituencies, the educational goals of University, County's objectives under the § 1115 Waiver, and the changing health care environment, including but not limited to the projected construction of a new hospital with a projected decrease in size to 600 beds which is projected to be completed in 2008;

- B. Patient service issues;
- C. Quality of County and University Training Programs, Purchased Services, and Primary County Facilities;
- D. Any significant threat to JCAHO accreditation of Primary County Facilities (as related to this Agreement) or to ACGME or other accreditation, as applicable, of County and University Training Programs;
- E. Development of new County Training Programs or significant expansion or curtailment of existing County Training Programs;
- F. Any disputes as to performance under this Agreement except those Events of Immediate Termination as defined in § 8.3;
- G. Reconciliation of volume of and payment for Purchased Services during a Contract Year, and
- H. Any matters referred by the System JPO Committee, the GMEC or either Party.

9.2.2. Addenda. The Facility JPO Committee shall review the Addenda to this Agreement each year and develop recommendations as to any necessary amendments, particularly including the type and volume of Purchased Services, and the performance indicators and standards. With the exception of the "Hospital Performance Goals" set forth in B.3.2 of Addendum B which may be revised upon shorter notice, the Facility JPO Committee shall present its recommendations for each Contract Year to Parties at least seventeen (17) months prior to that Contract Year (e.g., by February 1, 2007, for the Contract Year beginning July 1, 2008) for the Parties' consideration, pursuant to § 4.2.

9.2.3. Matters Affecting Staffing, Patient Care or Affiliation Operations.

9.2.3.1. *Notice of Staffing or Other Changes.* With respect to plans of either Party that are likely to substantially affect staffing under this Agreement or which are comprised under the express responsibility of either the System JPO Committee or the Facility JPO Committee pursuant to § 9.2.1 or § 9.3, University Representative, or CEO, or Chief Medical Officer, respectively, shall place the item on the Facility JPO Committee agenda for discussion as soon as reasonably possible upon becoming aware of such plans. To the extent possible, each Party shall seek to ensure that such issues are placed on the Facility JPO Committee agenda at the earlier of (i) eighteen (18) months prior to the beginning of the affected Contract year, or (ii) six (6) months prior to that Party's final decision on the matter. Parties recognize that neither Party can guarantee compliance with these guidelines, including in some instances placing such items on the agenda prior to the Party's final decision.

9.2.3.2. *County.* As soon as reasonably possible, CEO or Medical Director shall place on the Facility JPO Committee agenda issues relating to patient diversion policy, County destination policy, closure of Hospital units or clinics, or changes in the scope of inpatient or outpatient services, if the outcome of those issues are likely to significantly affect performance or terms of this Agreement. To the extent possible, each Party shall seek to ensure that such issues are placed on the Facility JPO Committee agenda at the earlier of (i) eighteen (18) months prior to the beginning of the affected Contract year, or (ii) six (6) months prior to that Party's final decision on the matter. Parties recognize that neither Party can guarantee compliance with these guidelines, including in some instances placing such items on the agenda prior to the Party's final decision.

9.2.3.3. *University.* As soon as reasonably possible, University Representative shall place on the Facility JPO Committee agenda any major decisions relating to the scope of its participation in inpatient or outpatient services at Primary County Facilities, significant changes to the scope of its participation in services offered in any Department or clinic at Primary County Facilities, or significant changes in the scope and size of University Training Programs or rotation patterns of University Housestaff through Primary County Facilities. To the extent possible, each Party shall seek to ensure that such issues are placed on the Facility JPO Committee agenda at the earlier of (i) eighteen (18) months prior to the beginning of the affected Contract year, or (ii) six (6) months prior to that Party's final decision on the matter. Parties recognize that neither Party can guarantee compliance with these guidelines, including in some instances placing such items on the agenda prior to the Party's final decision. Nothing in this § 9.2.3 shall modify the obligation of University to provide Purchased Services as negotiated for any Contract Year, provided County pays for Purchased Services in accordance with this Agreement.

9.2.4. Graduate Medical Education Committees. County shall establish and maintain a GMEC consistent with applicable ACGME standards at each Hospital. Each GMEC shall meet as frequently as necessary to fully discharge its duties, but no less than quarterly.

9.2.4.1. *Membership.* Members of each GMEC shall include the following officials or their designees: University Representative, Academic Administrator and Medical Director. Additional members shall include those persons necessary to satisfy the requirements set forth by ACGME.

9.2.4.2. *Duties.* Each GMEC shall be responsible for the following with respect to the Training Programs under its purview:

- 9.2.4.2.1 Policies. Establish and implement policies that affect the quality and work environment of the Housestaff.
- 9.2.4.2.2 Monitoring and Oversight. Monitor all aspects of residency education at Primary County Facilities and advise Medical Director and Dean with respect to such issues. Establish and maintain oversight with respect to all of the County Training Program directors and personnel involved in graduate medical education.
- 9.2.4.2.3 Program Review. Regular review of all Training Programs to assess their compliance with standards of the ACGME, Residency Review Committee, and others as applicable, and the overall quality of the training.
- 9.2.4.2.4 Institutional Review. Work with County and University Personnel as needed to develop the proper environment for effective training and to review Primary Care Facilities' compliance with ACGME and other applicable standards for institutions.
- 9.2.4.2.5 Annual Report. Prepare an annual report to the Dean and Medical Director. For the Training Programs and facilities under the GMEC's purview, this report shall provide an overview of the status of the Training Programs; overall graduate educational activities; common problems and concerns across the Training Programs; each Training Program's compliance with ACGME institutional and program requirements; University's role in overseeing these activities under the Agreement; and an analysis of the academic accomplishments of Faculty and other performance criteria identified in § 5.
- 9.2.4.2.6 Housestaff Qualification Levels. Assist Medical Director in the preparation of an annual listing of Housestaff Qualification Levels for County Housestaff by academic year of training. This listing shall enumerate for each Housestaff Qualification Level all those procedures that such Housestaff should be competent to perform.

9.3. System JPO Committee Responsibilities. In general, the System JPO Committee shall consider issues broadly affecting County Training Programs under this Agreement or County's other medical school affiliation agreements. It shall present its recommendations to Parties. The System JPO Committee shall consider and present recommendations regarding issues, including the following:

- A. Coordination and consolidation, as appropriate, of County Training Programs;
- B. Any significant threat to JCAHO accreditation of Primary County Facilities or to ACGME or other applicable accreditation of County and University Training Facilities;
- C. Development of new Training Programs or significant expansion or curtailment of existing Training Programs, to the extent this affects more than one of County's medical school affiliations;
- D. Significant changes in staffing ratios or in the primary/specialty care mix of County Training Programs;
- E. Issues presented by the Facility JPO Committee or its counterparts under County's other medical school affiliation agreements; and
- F. Issues referred by Parties.

10. REPORTING AND ACCOUNTABILITY

10.1. General Operations. Each Party shall collect and maintain accurate information on the nature and scope of its operations in Primary County Facilities and provide such information as reasonably requested by the other Party. County shall designate one person in the office of CEO, and University shall designate one person in the office of University Representative, to be responsible for providing this information. University shall provide Chief Medical Officer with a copy of any report it files with the County Auditor-Controller.

10.2. Notice of Certain Events.

10.2.1. Legal or Administrative Actions. For matters related to this Agreement, each Party shall promptly notify University Representative or CEO, respectively, of any medical staff corrective action, claims, administrative reviews or lawsuits relating to Primary County Facilities and professional liability, and any other corrective actions, claims, administrative reviews or lawsuits that may affect the other Party. University Representative and CEO or their respective designees, shall determine whether to conduct a joint investigation and coordinate any remedial action or defense.

10.2.2. Accreditation, Licensure, and Site Visits.

10.2.2.1. *County and University Training Programs.* For matters related to this Agreement, each Party shall promptly notify the other of any planned site visit by an entity charged with reviewing or certifying any University Training Program or County Training Program that is likely to materially affect County Training Programs or the provision of Purchased Services. Such Party shall make available to the other the report from such site visits, including any letters citing deficiencies or suggesting corrective action.

10.2.2.2. *Sanctions.* Each Party shall promptly notify the other of any actual or threatened sanction by any licensing or accrediting entity, peer review organization, or any entity charged with reviewing or certifying health care delivery facilities, or educational operations in Primary County Facilities, that are likely to have a substantial effect on performance of this Agreement.

10.3. Records and Audits.

10.3.1. Financial Records. University shall prepare and maintain accurate and complete financial and operational records, in accordance with generally accepted accounting principles, that identify University's use of revenues under this Agreement, as attributable to each Department. Such records shall allocate revenues between University employed non-physician staff and the physicians assigned by University to each Department, by category, on an aggregated basis. University shall maintain accurate and complete records of all services performed hereunder in such form and manner as County may from time to time direct and as set forth in Exhibit 6, "Physician Time Study," and Exhibit 7, "Retention of Records Under This Agreement," as necessary to satisfy the payment requirements of those governmental and private third-party payers making payments to County for any Purchased Services. University shall maintain records as necessary to substantiate all charges paid by County under this Agreement. This § 10.3.1 shall not require University to release documentation disclosing the amount of salary or benefits paid by University to University Personnel. All records pertaining to this Agreement shall be retained by University for a minimum of five (5) years following the end of County's July 1st through June 30th fiscal year in which service was rendered; provided that, if County notifies University of an ongoing audit, University shall retain all such records until County notifies University that retention is no longer required. During such periods of record retention, and throughout the term of this Agreement, University shall make all such records available upon reasonable notice, at University during normal business hours, to County and State of California representatives.

- 10.3.2. Federal Access to Records. If, and to the extent that, Section 1861(v)(1)(I) of the Social Security Act [42 U.S.C. Section 1395x(v)(1)(I)] is applicable, University agrees that for a period of five (5) years following the furnishing of services under this Agreement, University shall maintain and make available, upon written request, to the Secretary of the United States Department of Health and Human Services or the Comptroller General of the United States, or to any of their duly authorized representatives, the contract, books, documents and records of University which are necessary to verify the nature and extent of the cost of services provided hereunder. Furthermore, if University carries out any of the services provided hereunder through any subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve-month period with a related organization (as that term is defined under Federal law), University agrees that each such subcontract shall provide for such access to the subcontract, books, documents and records of the subcontractor. In the event that such request for access is made by any representative of the Federal government, University shall notify County in writing within five (5) business days of receipt of such request.
- 10.3.3. Audit Reports. In the event that any Federal or State auditor conducts an audit of University and such audit directly concerns or has a material effect on any of the Purchased Services, University shall file a copy of any final audit report prepared by such auditor with County's Auditor-Controller within thirty (30) days of receipt thereof to the extent permitted under this Agreement, or under applicable State or Federal law or regulations.
- 10.3.4. Audit/Compliance Review. During the term of this Agreement or within five (5) years after Purchased Services are furnished, authorized representatives of County may conduct, or University may undertake through an independent auditor, an audit of the other Party regarding such Purchased Services. In the event County representatives conduct an audit/compliance review of University, University shall cooperate fully with County's representatives. University shall allow County representatives reasonable access to all records of services rendered and all financial, medical and other records that directly concern or may have a material effect on services provided by University under this Agreement and shall allow photocopies to be made of these documents using University's photocopier, for which County shall reimburse University promptly for its customary charge for record copying services, if requested. Information obtained through an audit/compliance review shall be subject to the confidentiality requirements of § 12.2. County shall provide University with at least ten (10) working days prior written notice of any audit/compliance review.

County may conduct an audit/compliance review of all or a representative sample of payments by County. The audit/compliance review shall be conducted in accordance with generally accepted accounting principles, and the methodology for measuring Purchased Services on which the Parties have agreed and as set forth in Addendum A and validated by the County Auditor/Controller. An exit conference shall be held following the performance of such audit/compliance review at which time the results shall

be discussed with University. University Representative shall be provided with a copy of any written evaluation reports in a timely manner.

University shall have the opportunity to review County's audit findings, and University shall have thirty (30) days after receipt of County's audit/compliance review results to submit documentation to County to resolve any audit exceptions. For any audit exceptions unresolved to County's reasonable satisfaction following this thirty (30) day period, County may apply the exception rate found in the audit or sample review period to County's total payment to University as set forth in § 6 and Addendum A. If University chooses to appeal County's application of an audit exception rate under this § 10.3.4, University shall submit documentation for review by DHS Director within thirty (30) days after application of the exception rate.

10.3.5. Audit Settlements. Nothing in this Agreement shall restrict the right of County or University to pursue any claims for repayment or additional payment based on the results of an audit/compliance review conducted under § 10.3.4. In the event any third party reimbursement to County, whether by Medicare, Medi-Cal, Medi-Cal/Short Doyle, private or other payers, is denied or reduced due to University's failure to provide the documents set forth in Exhibit 7 for a period of five (5) years following the furnishing of services under this Agreement, University shall indemnify County for such losses. Such losses include denial or reduction with respect to individual claims, cost report disallowances, or others.

10.3.6. Failure to Comply. Failure of either Party to comply with the provisions of this § 10.3 shall constitute a material breach of this Agreement. If such breach is not remedied within ninety (90) days following receipt of written notice from the non-breaching Party, then it shall become an Event of Termination for Cause pursuant to § 8.4.

11. INDEMNIFICATION

11.1. **Professional Liability Indemnification.** County shall indemnify, defend and hold harmless University and its officers, employees, agents, students, fellows, volunteers and Faculty from and against any and all losses, claims, damages, liabilities and expenses, of every conceivable kind, character, and nature arising out of or connected with, either directly or indirectly, any act or omission or alleged act or omission in the rendering of, or failure to render, health care services or treatment by University and its officers, employees, agents, students, fellows, volunteers and Faculty, at a Primary County Facility or University Hospital in the performance of Purchased Services under this Agreement.

University shall give prompt notice to County of any action or claim to which this indemnification applies and University and its officers, employees, agents, students, fellows, volunteers and Faculty receiving such indemnification from County shall fully cooperate with County in any defense, settlement or other disposition of such claim or action. County shall retain full authority to settle such claims for such amounts and in such circumstances as County determines to be in the best interests of County.

11.2. Indemnification for Employment Practices.

- 11.2.1. By County. To the extent permitted by law and specifically with the exception of punitive damages, County shall indemnify, defend and hold harmless University and its officers, employees, agents, students, fellows, volunteers and Faculty from and against any and all losses, claims, damages, liabilities and expenses including reasonable attorneys fees and costs, of every conceivable kind, character, and nature arising out of or connected with, either directly or indirectly, the employment or employment practices of County Personnel, which includes personnel concurrently employed by University and County, arising out of or connected with, either directly or indirectly, the provision of Purchased Services under this Agreement. Employment practices shall include any claims for sexual or other harassment or any form of discrimination or wrongful termination.

University shall give prompt notice to County of any action or claim to which this indemnification applies and University and its officers, employees, agents, students, fellows, volunteers and Faculty receiving such indemnification from County shall fully cooperate with County in any defense, settlement or other disposition of such claim or action. County shall retain full authority to settle such claims for such amounts and in such circumstances as County determines to be in the best interests of County. In any civil action or claim in which University is both named as a defendant and punitive damages are alleged against University, University may elect, at its sole expense, to retain counsel to defend University against the allegations of punitive damages. With regard to any civil action or claim to which County's indemnification applies, County shall retain full and sole authority to settle such claims, and direct all litigation from the creation of a discovery plan through any trial on the merits including acting as first chair in trial, notwithstanding any election by University to retain separate counsel with regard to punitive damages. At its sole discretion and expense, University shall have the right to appeal any judgment awarding punitive damages against it.

- 11.2.2. By University. To the extent permitted by law and specifically with the exception of punitive damages, University shall indemnify, defend and hold harmless County and its officers, employees, agents, students, fellows and volunteers from and against any and all losses, claims, damages, liabilities and expenses including reasonable attorneys fees and costs, of every conceivable kind, character, and nature arising out of or connected with, either directly or indirectly, the employment or employment practices of personnel employed solely by University, arising out of or connected with either directly or indirectly, the provision of Purchased Services under this Agreement, including any claims for sexual or other harassment or any form of discrimination or wrongful termination; provided that such indemnification shall be limited to an amount covered under University's employment practice liability insurance policy.

County shall give prompt notice to University of any action or claim to which this indemnification applies and County and its officers, employees, agents, students, fellows and volunteers receiving such indemnification from University shall fully cooperate with University in any defense, settlement or other disposition of such claim or action. University shall retain full authority to settle such claims for such amounts and in such circumstances as University determines to be in the best interests of University.

In any civil action or claim in which County, its departments, facilities, officials or employees are both named as a defendant and punitive damages are alleged against County, its departments, facilities, officials or employees, County may elect, at its sole expense, to retain counsel to defend County, its departments, facilities, officials or employees against the allegations of punitive damages. With regard to any civil action or claim to which University's indemnification applies, University shall retain full and sole authority to settle such claims, and direct all litigation from the creation of a discovery plan through any trial on the merits including acting as first chair in trial, notwithstanding any election by County to retain separate counsel with regard to punitive damages. At its sole discretion and expense, County shall have the right to appeal any judgment awarding punitive damages against County, its departments, facilities, officials or employees.

- 11.3. Indemnification for Employment Obligations of University.** In the event of (i) County's failure to make payments to University as required under this Agreement; (ii) a reduction in the volume of Purchased Services or payment for Purchased Services under § 5.6 or Addendum A of this Agreement; or (iii) termination of this Agreement pursuant to § 12.25, any of which affects the ability of University to fulfill its obligations to Faculty listed on Exhibit 5, County shall indemnify, defend and hold harmless University and its officers, trustees, employees, agents, students, fellows, volunteers and faculty from and against financial liability only, as specifically defined in this § 11.3, arising from University's inability to fulfill its obligations to its tenured Faculty listed in Exhibit 5 for whom University fails to find alternative clinical and academic positions within University's health care system or otherwise. For purposes of this § 11.3, financial liability shall only include the amount set forth in the individual Faculty member's employment agreement with University, plus the standard University benefit rate, for the duration of the Faculty member's tenure. A Faculty member's compensation under his employment agreement with University shall not exceed, on an annual basis, the 75th percentile of the American Association of Medical Colleges ("AAMC") salary schedule for the applicable academic rank and specialty. To the extent a Faculty member offsets such amounts with University based or research grant funding, County shall not be liable for such offset amounts.

County's indemnification obligations set forth in this § 11.3 exist only to the extent permitted by law and specifically with the exception of punitive damages, and are subject to the following obligations of University: (i) University shall have an ongoing responsibility to use reasonable efforts to find alternative positions for any individuals to whom the above indemnification applies; and (ii) County shall have the right to utilize the services of individual Faculty members and University shall permit and

instruct individual Faculty members to work full-time within County's health care systems as assigned by County.

- 11.4. No Requirement to Defend or Indemnify with Regard to Administrative Proceedings.** Neither County nor University shall be obligated to provide for the defense of any administrative or criminal proceeding brought against any current or former employee of University, any current or former employee of County, or any employee concurrently or formerly employed by both County and University. Neither County nor University shall be obligated to indemnify any current or former employee of University, any current or former employee of County, or any employee concurrently or formerly employed by both County and University with regard to costs and expenses associated with such defense. For purposes of this § 11, "administrative proceeding" shall include proceedings before the Medical Board of California.

11.5. General Indemnification.

- 11.5.1. By County. To the extent not covered by the other indemnification provisions set forth in this § 11, County shall indemnify, defend and hold harmless University and its officers, employees, agents, students, fellows and volunteers from and against any and all losses, claims, damages, liabilities and expenses including reasonable attorneys fees and costs, of every conceivable kind, character, and nature, including bodily injury, death, personal injury, property damage or workers' compensation arising out of or connected with, either directly or indirectly, County's operations or any activities conducted by, through or on behalf of County at Primary County Facilities, in the performance of County's obligations hereunder.

University shall give prompt notice to County of any action or claim to which this indemnification applies and University and its officers, employees, agents, students, fellows and volunteers receiving such indemnification from County shall fully cooperate with County in any defense, settlement or other disposition of such claim or action. County shall retain full authority to settle such claims for such amounts and in such circumstances as County determines to be in the best interests of County.

- 11.5.2. By University. To the extent not covered by the other indemnification provisions set forth in this § 11, University shall indemnify, defend and hold harmless County and its officers, employees, agents, students, fellows and volunteers from and against any and all losses, claims, damages, liabilities or expenses including reasonable attorneys fees and costs, of every conceivable kind, character, and nature, including bodily injury, death, personal injury, property damage or workers' compensation arising out of or connected with, either directly or indirectly, University's operations or any activities conducted by, through or on behalf of University at facilities owned, controlled, or operated by University, in the performance of University's obligations hereunder.

County shall give prompt notice to University of any action or claim to which this indemnification applies and County and its officers, employees, agents, students, fellows and volunteers receiving such indemnification from University shall fully cooperate with University in any defense, settlement or other disposition of such claim or action. University shall retain full authority to settle such claims for such amounts and in such circumstances as University determines to be in the best interests of University.

- 11.5.3. Other Indemnifications. Additional indemnification responsibilities between the Parties are set forth in § 2.1.2.5.2 (exclusion from federal health care programs), § 10.3.5 (audit settlements), § 12.12 (subcontracting), § 12.15 (fair labor standards) and § 12.16 (employment eligibility verification).

12. ADDITIONAL PROVISIONS

- 12.1. Notices.** Unless otherwise specified in this Agreement, any notice, document, or other communication given or made hereunder shall be in writing and shall be deemed given upon (i) hand delivery or (ii) deposit of the same in the United States registered or certified mail, first-class postage and fee prepaid, and correctly addressed to the Party for whom it is intended at the following addresses:

If to County:

Senior Medical Director
Office of Clinical Affairs and Affiliations
County of Los Angeles Department of Health Services
313 North Figueroa Street, Room 908
Los Angeles, California 90012

with a copy to:

Office of the County Counsel
Attn: Health Services Division
500 West Temple Street, 6th Floor
Los Angeles, California 90012

If to University:

Dean, Keck School of Medicine
University of Southern California
Health Sciences Campus, KAM 500
Keith/Mayer Building
1975 Zonal Avenue
Los Angeles, California 90033

with a copy to:

Office of the General Counsel
Attn: General Counsel
University of Southern California
University Park, Administration 352
3551 Trousdale Parkway
Los Angeles, California 90089-5013

or at such other place or places as may from time to time be specified in a notice similarly given. Each Party shall at all times keep the other Party notified of its current address and shall promptly notify the other Party of any change of address.

- 12.2. Confidentiality.** Notwithstanding any other provision of this Agreement, University and County shall maintain the confidentiality of all records and information, including billings, University reports, audit reports, County records and patient records, as required by applicable Federal, State and local laws, ordinances, rules, regulations and directives (including Department policy and Medical Staff Rules and Regulations) relating to confidentiality. University and County shall make reasonable efforts to inform all of their officers, employees, agents, independent contractors and others providing services hereunder of the confidentiality provisions of this Agreement. All obligations and responsibilities under this Agreement shall be subject to this § 12.2.
- 12.3. Nondiscrimination in Services.** University shall not discriminate in the provision of services hereunder because of race, color, religion, national origin, ancestry, sex, age, sexual orientation, or physical or mental disability, in accordance with requirements of Federal and State law and County policy. University shall use reasonable efforts to ensure that intended beneficiaries of this Agreement are provided services without regard to race, color, religion, national origin, ancestry, sex, age, sexual orientation, or physical or mental disability.
- 12.4. Nondiscrimination in Employment.**
- 12.4.1. Nondiscrimination. University certifies and agrees that its policy is that all persons employed by it, its affiliates, subsidiaries or holding companies are and shall be treated equally by it without regard to, and shall not be discriminated against because of, race, color, religion, ancestry, national origin, sex, age, sexual orientation, or physical or mental disability, in compliance with all anti-discrimination laws and regulations of the United States of America and the State of California as they now exist or may hereafter be amended.
- 12.4.2. Employment Status. University shall make every effort to ensure it employs qualified applicants, and treats employees during employment, without regard to race, color, religion, ancestry, national origin, sex, age, sexual orientation, or physical or mental disability, nor shall University discriminate against such applicants or employees because of such characteristics; all in compliance with all applicable anti-discrimination laws and regulations of the United

States of America and the State of California as they now exist or may hereafter be amended. Such action shall include the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

- 12.4.3. Vendors. University shall not discriminate against any subcontractor, bidder, or vendor on the basis of race, color, religion, ancestry, national origin, sex, age, sexual orientation, or physical or mental disability, as required by all applicable anti-discrimination laws and regulations of the United States of America and the State of California as they now exist or may hereafter be amended.
- 12.4.4. Verification. University shall allow County representatives access to its employment records during regular business hours to verify compliance with these provisions when so requested by County. Prior to any such inspection, University may remove personal employee information from such records, which is protected under the privacy laws of the State of California. To the extent any such information may come into the possession of County during such an inspection, County hereby promises to protect same from disclosure to third parties.
- 12.4.5. Breach. Violation of any provisions under this § 12.4 shall constitute an Event of Immediate Termination pursuant to § 8.3 of this Agreement. County reserves the right to determine independently that the anti-discrimination provisions of Agreement have been violated. A determination by the California Fair Employment Practices Commission or the Federal Equal Employment Opportunity Commission that University has violated State or Federal anti-discrimination laws or regulations shall constitute a finding by County that University has violated anti-discrimination provisions of this Agreement.
- 12.4.6. Penalty. Parties agree that in the event University violates the anti-discrimination provisions of this Agreement, County shall, at its option, be entitled to a sum of Five Hundred Dollars (\$500) per violation or group of such violations investigated, pursuant to Civil Code Section 1671 as liquidated damages in lieu of terminating or suspending this Agreement. The liquidated damages payable pursuant to this Subparagraph are meant to compensate County for the costs of investigating violations of the anti-discrimination provisions of this § 12.4.
- 12.5. **Staff Performance While Under the Influence.** University shall use its reasonable efforts to ensure that none of its personnel shall perform services hereunder while under the influence of any alcoholic beverage, medication, narcotic or other substance that might impair his or her physical or mental performance.
- 12.6. **University Performance during Disaster or Civil Unrest.** University recognizes that health care facilities maintained by County, including shelters and relief facilities operated by County during a disaster, provide care essential to the population of the

communities they serve and that these services are of particular importance at the time of a natural disaster or other similar event, or at the time of a riot, insurrection or civil unrest. Notwithstanding any other provision of this Agreement, University shall continue to provide services at County health care facilities and, if requested to do so by County, shall also provide services at County-operated shelters and relief facilities during any natural disaster or other similar event, riot, insurrection or civil unrest, so long as such performance remains physically possible and does not subject University employees, agents and representatives to unreasonable threat to personal safety. Failure to comply with this requirement shall be considered an Event of Termination for Cause pursuant to § 8.4 of this Agreement. To the extent that services are required in excess of those otherwise anticipated under this Agreement, County shall pay University for actual damages and the costs of replacement services at rates to be determined by County pursuant to applicable ordinances. Parties shall work together to develop a plan for the provision of services in the event of a disaster or civil unrest.

12.7. Licenses, Permits, Registrations and Certificates. University and County, respectively, shall obtain and maintain during the term of this Agreement all appropriate licenses, permits, registrations and certificates required by law for the provision of their respective services hereunder. University shall require that all its personnel, including all its independent contractors, who perform services hereunder obtain and maintain in effect during the term of this Agreement, all licenses, permits, registrations and certificates required by law which are applicable to their performance hereunder. Copies of all such licenses, permits, registrations and certifications shall be made available to County or University, respectively, upon request.

12.8. Unlawful Solicitation. University shall inform all of its officers, employees and agents, including all its independent contractors, providing services hereunder in writing of the provisions of Article 9 of Chapter 4 of Division 3 (commencing with Section 6150) of the Business and Professions Code of the State of California (i.e., State Bar Act provisions regarding unlawful solicitation as a runner or capper for attorneys) and shall use reasonable efforts to ensure that there is no violation of said provisions by its officers, employees, agents and independent contractors. University agrees that if a patient requests assistance in obtaining the services of any attorney, it shall use reasonable efforts to refer the patient to the attorney referral services of all those bar associations within the County of Los Angeles or the appropriate County agency that have such a service.

A copy of such written notice shall be retained by University for purposes of inspection and audit and made available to County upon reasonable written request.

12.9. Conflict of Interest. No County officer or employee whose position in County enables him or her to influence the award of this Agreement or any competing agreement, and no spouse or economic dependent of such officer or employee shall be employed in any capacity by University herein, or have any other direct or indirect financial interest in this Agreement.

No officer, employee, agent, or independent contractor of University who may financially benefit from the provision of services hereunder shall in any way participate in County's approval process for the award of this Agreement or any competing

agreement, or ongoing evaluation of such services, under this Agreement or any competing agreement, or in any way attempt to unlawfully influence County's approval or ongoing evaluation of such services.

University shall comply with all conflict of interest laws, ordinances and County regulations now in effect or hereafter to be enacted during the term of this Agreement. University warrants that it is not now aware of any facts which create a conflict of interest. If University hereafter becomes aware of any facts which might reasonably be expected to create a conflict of interest, it shall immediately make a full written disclosure of such facts to County. Full written disclosure shall include, without limitation, identification of all persons involved and a complete description of all relevant circumstances.

12.10. Covenant against Contingent Fees.

12.10.1. Covenant. University warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by University for the purpose of securing business.

12.10.2. Remedy. Breach or violation of this warranty shall constitute an Event of Termination for Cause, pursuant to § 8.4. In addition to the remedies provided in § 8.4, County in its sole discretion shall be permitted to deduct from payments made under this Agreement, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

12.11. Delegation and Assignment. Neither University nor County shall delegate its duties or assign its rights hereunder, either in whole or in part, without prior written consent of the other Party. Any delegation or assignment which does not have such consent shall be null and void. For purposes of this § 12.11, consent shall require a written amendment to this Agreement which is formally approved and executed by the Parties. Any billings to County by any delegate or assignee on any claim under this Agreement, absent County's consent, shall not be paid by County.

12.12. Subcontracting. No performance of this Agreement, or any portion thereof, shall be subcontracted by either Party without the prior written consent of the other Party, as provided in this § 12.12. Any attempt by either Party to subcontract any performance, obligation, or responsibility under this Agreement, without the prior written consent of the other Party, shall be null and void and shall constitute an Event of Immediate Termination pursuant to § 8.3 of this Agreement. Each Party shall notify all of its potential subcontractors of the provisions of this § 12.12.

12.12.1. County Approval. If University desires to subcontract any portion of its performance, obligations or responsibilities under this Agreement, University shall make a written request to County for written approval to enter into the particular subcontract. County will review University's request to subcontract and determine, in its sole discretion, whether or not to consent to such request on a case-by-case basis. DHS Director or his or her designee is

hereby authorized to act for and on behalf of County pursuant to this § 12.12, including consenting to any subcontracting. University's request to County shall include:

- A. The reason(s) for the particular subcontract.
- B. A detailed description of the work to be performed by the proposed subcontractor.
- C. Identification of the proposed subcontractor and an explanation of why and how the proposed subcontractor was selected.
- D. A draft copy of the proposed subcontract.
- E. Unless otherwise determined unnecessary by County, copies of certificates of insurance and performance security from the proposed subcontractor establishing that the subcontractor maintains all the programs of insurance required by § 2.9.
- F. Any other information or certifications requested by County.

12.12.2. Indemnification. University shall indemnify, defend, and hold harmless County, its officers, employees and agents, from and against any and all claims, demands, liabilities, damages, costs, and expenses, including reasonable defense costs and legal, accounting or other expert consulting or professional fees in any way directly or indirectly arising from or related to University's use of any subcontractor, including any officers, employees, or agents of any subcontractor, in the same manner as required for University, its officers, employees, and agents, under this Agreement.

12.12.3. Approved Subcontracting. Notwithstanding any County consent to any subcontracting, University shall remain responsible for any and all performance required of it under this Agreement, including the obligation to properly supervise, coordinate, and perform all work required hereunder. No subcontract shall bind or purport to bind County. Further, County approval of any subcontract shall not be construed to limit in any way University's performance, obligations, or responsibilities to County, nor shall such approval limit any of County's rights or remedies contained in this Agreement.

12.12.3.1 *Bound by Agreement.* In the event that County consents to any subcontracting, the subcontractor, on behalf of itself, its successors and administrators, shall assume and be bound by and shall be deemed to have assumed and agreed to be bound by each and all of the provisions of this Agreement and any Amendment hereto.

12.12.3.2 *Consent.* In the event that County consents to any subcontracting, such consent shall apply to each particular subcontract only and shall not be, nor construed to be, a waiver of this § 12.12 or a blanket consent to any further subcontracting.

12.12.3.3 *Liability.* University shall be solely liable and responsible for any and all payments and other compensation to all subcontractors and their officers, employees, and agents. County shall have no liability or responsibility whatsoever for any payment or other compensation for any subcontractors or their officers, employees and agents.

12.12.3.4 *Copies.* University shall deliver to County a fully executed copy of each subcontract entered into by University pursuant to this § 12.12, on or immediately after the effective date of the subcontract but in no event later than the date any work is performed under the subcontract.

12.13. Compliance.

12.13.1. Compliance with Applicable Law. University and County shall comply with all Federal, State, and local laws, ordinances, rules, regulations and directives applicable to its performance hereunder, and University shall cooperate with County with respect to applicable provisions of the § 1115 Waiver. Further, all provisions required thereby to be included in this Agreement are hereby incorporated herein by reference.

12.14. Authorization Warranty. Both Parties hereby represent and warrant that the person executing this Agreement on behalf of such Party is an authorized agent who has actual authority to bind that Party to each and every term, condition, and obligation set forth in this Agreement and that all requirements of such Party have been fulfilled to provide such actual authority.

12.15. Fair Labor Standards. Each Party shall comply with all applicable provisions of the Federal Fair Labor Standards Act and shall indemnify the other Party for any violations of this obligation, pursuant to § 11 of this Agreement.

12.16. Employment Eligibility Verification. Each Party warrants that it fully complies with all Federal statutes and regulations regarding employment of aliens and others, and University warrants that the temporary personnel which it refers to Primary County Facilities hereunder, including all independent contractor personnel performing services hereunder, meet the citizenship or alien status requirements contained in Federal statutes and regulations. Each Party shall obtain, from all of its personnel performing services hereunder, all verification and other documentation of employment eligibility status required by Federal statutes and regulations as they currently exist and as they may be hereafter amended. Each Party shall retain such documentation for all such personnel for the period prescribed by law. Each Party shall indemnify the other Party for any violations of this obligation, pursuant to § 11 of this Agreement.

12.17. Restrictions on Lobbying. If any Federal monies are to be used to pay for University's services under this Agreement, University shall comply with all certifications and disclosure requirements prescribed by Section 319, Public Law 101-121 (31 U.S.C. § 1352) and any implementing regulations, and shall ensure that each of its subcontractors receiving funds provided under this Agreement also fully comply with all such certifications and disclosure requirements.

12.18. County Lobbyists. University and each County lobbyist or County lobbying firm, as defined in County of Los Angeles Code Section 2.160.010, retained by University, shall fully comply with the County Lobbyist Ordinance, County of Los Angeles Code Chapter 2.160. Failure on the part of University or any County lobbyist or County lobbying firm retained by University to fully comply with the County Lobbyist Ordinance shall constitute an Event of Immediate Termination pursuant to § 8.3 of this Agreement.

12.19. County's Child Support Compliance Program

12.19.1. University's Warranty of Adherence to County's Child Support Compliance Program: University acknowledges that County has established a goal of ensuring that all individuals who benefit financially from County through contract are in compliance with their court-ordered child, family, and spousal support obligations in order to mitigate the economic burden otherwise imposed upon County and its taxpayers. As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting University's duty under this Agreement to comply with all applicable provisions of law, University warrants that it is now in compliance and shall during the term of this Agreement maintain in compliance with employment and wage reporting requirements as required by the federal Social Security Act [(42 USC section 653 (a)] and California Unemployment Insurance Code section 1088.55, and shall implement all lawfully served Wage and Earnings Withholdings Orders or Child Support Services Department ("CSSD) Notices of Wage and Earnings Assignment for Child, Family, or Spousal Support, pursuant to Code of Civil Procedure section 706.031 and Family Code section 5246 (b).

12.19.2. Termination for Breach of Warranty to Maintain Compliance with County's Child Support Compliance Program: Failure of University to maintain compliance with the requirements set forth in "Contractor's Warranty of Adherence to County's Child Support Compliance Program" Paragraph immediately above, shall constitute an Event Termination for Cause pursuant to Section 8.4 under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure of University to cure within ninety (90) calendar days of written notice shall be grounds upon which County may terminate this contract pursuant to Section 8.4 of this Agreement and pursue debarment of University, pursuant to County Code Chapter 2.202.

- 12.20. Merger and Integration Provision.** All exhibits, attachments and addenda to this Agreement are incorporated herein. This Agreement fully expresses all understandings of the parties concerning all matters covered and shall constitute the entire Agreement of the Parties, superseding any prior agreements between the Parties regarding its subject matter. No addition to or alteration of the terms of this Agreement, whether by written or oral understanding of the parties, their officers, agents or employees, shall be valid unless made in the form of a written amendment to this Agreement which is formally approved and executed by the parties.
- 12.21. Severability.** If any provision of this Agreement, including all the exhibits, attachments and addenda hereto, or the application thereof to any person or circumstance, is held to be illegal or invalid, the remainder of the Agreement and the application of such provision to other persons or circumstances shall not be affected, except as otherwise provided in this § 12.21. If such invalidation has the effect of materially altering the obligations of either Party, then the Parties shall diligently seek to amend the Agreement to restore the prior balance of obligations. If the Parties are unable to agree on such amendment within forty-five (45) days following notice of the invalidation, then the impaired Party may deem the invalidation an Event of Termination for Cause under § 8.4, without fault of or breach by either Party.
- 12.22. Investigations.** Each Party shall cooperate regarding outside investigations of the other Party as reasonably requested by the other Party as it relates to this Agreement. If any government agency undertakes an investigation of a Party, the other Party shall comply with that Party's reasonable request to make available information and records in connection with the investigation. Compliance with this provision by either Party shall not constitute a waiver of the attorney-client privilege.
- 12.23. No Third Party Beneficiaries.** None of the provisions of this Agreement are or shall be construed as for the benefit of or enforceable by any person not a Party to this Agreement.
- 12.24. Waiver.** No waiver, express or implied, of any breach of this Agreement, shall constitute a waiver of any right under this Agreement or of any subsequent breach, whether of a similar or dissimilar nature. All of the rights or remedies permitted or available to a Party under this Agreement, or at law or in equity, shall be cumulative and not alternative, and the exercise of any right or remedy shall not constitute a waiver or election of remedies with respect to any other permitted or available right or remedy.
- 12.25. Interruption of Service.** Except as otherwise provided in § 12.6, either Party shall be excused from any delay or failure in performance hereunder caused by reasons of any occurrence or contingency beyond its reasonable control, including acts of God, acts of war, fire, insurrection, labor disputes, riots, earthquakes, or other acts of nature. The obligations and rights of the other Party so excused shall be extended on a day-to-day basis for the duration of such excusable interruption. In the event the interruption of a Party's services continues for a period in excess of thirty (30) days, then upon ten (10) days' notice the other Party may deem the interruption an Event of Immediate Termination under § 8.3, without fault of or breach by either Party.

12.26. Section References. Throughout this Agreement, each section reference includes any subsection.

12.27. Contractor Responsibility and Debarment.

- A. A responsible contractor is a contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity, and experience to satisfactorily perform the contract. It is County's policy to conduct business only with responsible contractors.
- B. University is hereby notified that, in accordance with Chapter 2.202 of the County Code, if the County acquires information concerning the performance of the University on this or other agreements which indicates that University is not responsible, the County may, in addition to other remedies provided under the Agreement, debar the University from bidding or proposing on, or being awarded, and/or performing work on County agreements for a specified period of time not to exceed three (3) years, and terminate any or all existing agreements the University may have with the County
- C. County may debar a contractor if the Governing Body finds, in its discretion, that the contractor has done any of the following: (1) violated a term of an agreement with the County or a nonprofit corporation created by the County, (2) committed any act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform an agreement with the County, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against County or any other public entity.
- D. If there is evidence that the University may be subject to debarment, the Department will notify University in writing of the evidence which is the basis for the proposed debarment and will advise the University of the scheduled date for a debarment hearing before the County's Contractor Hearing Board.
- E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The University or University's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative decision, which shall contain a recommendation regarding whether the University should be debarred, and, if so, the appropriate length of time of the debarment. The University and the Department shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Governing Body.
- F. After consideration of any objections, or if no objections are submitted, a record of hearing, the proposed decision, and any other recommendation of the Contractor Hearing Board shall be presented to the Governing Body. The Governing Body shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Hearing Board.

G. These terms shall also apply to subcontractors of University.

12.28. Use of Recycled-Content Bond Paper. Consistent with the Governing Body's policy to reduce the amount of solid waste deposited at County landfills, University agrees to use recycled-content paper to the maximum extent possible in connecting with the services to be performed by University under this Agreement

12.29. Compliance with Jury Service Program:

A. Jury Service Program: This Agreement is subject to the provisions of the County's ordinance entitled Contractor Employee Jury Service ("Jury Service Program") as codified in Sections 2.203.010 through 2.203.090 of the Los Angeles County Code.

B. Written Employee Jury Service Policy:

1. Unless University has demonstrated to County's satisfaction either that University is not a "contractor" as defined under the Jury Service Program (Section 2.203.020 of the County Code) or that University qualifies for an exception to the Jury Service Program (Section 2.203.070 of the County Code), University shall have and adhere to a written policy that provides that its employees shall receive from University, on an annual basis, no less than five (5) days of regular pay for actual jury service served. University's policy may further provide that employees deposit any fees received for such jury service with University or that University deduct from the employee's regular pay the fee received for jury service.
2. For purpose of this Paragraph, and as set forth in the Jury Service Program provision of the County Code as described hereinabove: "Contractor" shall mean a person, partnership, corporation, or other entity, that has a contract with County, or a subcontract with a County contractor, and has received, or will receive, an aggregate sum of Fifty Thousand Dollars (\$50,000) or more in any twelve (12) month period under one (1) or more County contracts or subcontracts; "employee" shall mean any California resident who is a full-time employee of Contractor; and "full-time" shall mean forty (40) hours or more worked per week, or a lesser number of hours, if: a) the lesser number is a recognized industry standard as determined by County, or b) Contractor has a long-standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term temporary services of ninety (90) days or less within a twelve (12) month period are not considered full-time for purposes of the Jury Service Program. If University uses any subcontractor to perform services for County under this Agreement, the subcontractor shall also be subject to the provisions of this Paragraph. The provisions of this Paragraph shall be inserted into any such subcontract agreement and a copy of the Jury Service Program shall be attached to the agreement.

3. If University is not required to comply with the Jury Service Program on the effective date of this Agreement, University shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and University shall immediately notify County if University at any time either comes within the Jury Service Program's definitions of "contractor", or if University no longer qualifies for an exception to the Jury Service Program. In either event, University shall immediately implement a written policy consistent with the Jury Service Program. County may also require, at any time during the Agreement term, and at its sole discretion, that University demonstrate to County's satisfaction that University either continues to remain outside of the Jury Service Program's definition of "contractor" and/or that University continues to qualify for an exception to the Jury Service Program. University and its subcontractors, if applicable, may demonstrate their exemption, or compliance, with the above subject Jury Service Program by completing a "County of Los Angeles Contractor Employee Jury Service Program Application for Exemption and Certification Form" which should be obtained from, and returned to, Director within ten (10) calendar days before the effective date of this Agreement.
4. University's violation of this Paragraph of the Agreement may constitute a material breach of this Agreement. In the event of such breach, County may, in its sole discretion, terminate this Agreement and/or bar University from the award of future County contracts for a period of time consistent with the seriousness of the breach.

12.30. Notice to Employees Regarding the Safely Surrendered Baby Law. The University shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in English and Spanish and is also available on the Internet at www.babysafela.org for printing purposes."

12.31. University's Acknowledgment of County's Commitment to the Safely Surrendered Baby Law. The University acknowledges that the County places a high priority on the implementation of the Safely Surrendered Baby Law. The University understands that it is the County's policy to encourage all County contractors to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at the contractor's place of business. The University will also encourage its subcontractors, if any, to post this poster in a prominent position in the subcontractor's place of business. The County's Department of Children and Family Services will supply the University with the poster to be used."

12.32. Compliance with Health Insurance Portability and Accountability Act of 1996. The parties acknowledge the existence of the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations ("HIPAA"). The Parties further understand that each has obligations with respect to the confidentiality, privacy and security of patients' medical records and must take certain steps to preserve the

confidentiality of this information both internally and externally. The Parties acknowledge that they have entered into an Organized Health Care Agreement. Pursuant to the terms of this Organized Health Care Agreement, each Party participates in a joint arrangement to provide integrated health care at primary County facilities.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be subscribed by its Mayor and seal of said Board to be hereto affixed, and attested by the Executive Officer thereof, and Contractor has caused this Agreement to be subscribed in its behalf by its duly authorized officers, the day, month and year first above written.

COUNTY OF LOS ANGELES

By _____
Mayor, Board of Supervisors

SACHI A. HAMAI,
Executive Officer Board
of Supervisors of the
County of Los Angeles

UNIVERSITY OF SOUTHERN CALIFORNIA
Contractor

By _____
Signature

By _____
Deputy

Title: _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
RAYMOND G. FORTNER, JR.
County Counsel

By _____
Deputy

APPROVED AS TO CONTRACT
ADMINISTRATION:

Department of Health Services

By _____
Cara O'Neill, Chief
Contracts and Grants Division

AGRCD4250.PPS

EXHIBIT 1

County and University Training Programs

The following shall constitute County Training Programs, subject to this Agreement:

- Anesthesiology
- Dentistry – General
- Dentistry – Oral Maxillofacial (DDS)
- Dentistry – Oral Maxillofacial (MD-DDS)
- Dermatology
- Emergency Medicine
- Internal Medicine – Core
- Internal Medicine – Cardiovascular Disease
- Internal Medicine – Clinical Cardiac Electrophysiology
- Internal Medicine – Endocrinology/Diabetes/Metabolism
- Internal Medicine – Gastroenterology
- Internal Medicine – Geriatric Medicine
- Internal Medicine – Hematology
- Internal Medicine – Infectious Disease
- Internal Medicine – Nephrology
- Internal Medicine – Oncology
- Internal Medicine – Pulmonary Critical Care Medicine
- Internal Medicine – Rheumatology
- Internal Medicine – Pediatrics
- Neurology – Core
- Neurology – Clinical Neurophysiology
- Neurological Surgery
- Obstetrics-Gynecology – Core
- Obstetrics-Gynecology – Endocrine/Infertility
- Obstetrics-Gynecology – Maternal Fetal
- Obstetrics-Gynecology – Gynecological Oncology
- Obstetrics-Gynecology – Gynecological Urology
- Ophthalmology
- Orthopedic Surgery – Core
- Orthopedic Surgery – Hand Surgery
- Otolaryngology
- Pathology – Core
- Pathology – Cytopathology
- Pathology – Hematopathology
- Pathology – Neuropathology
- Pathology – Selective Pathology
- Pediatrics – Core
- Pediatrics – Allergy/Immunology
- Pediatrics – Neonatology
- Psychiatry – Core

Psychiatry – Child Psychiatry
Psychiatry – Forensic Psychiatry
Radiation Oncology
Radiology – Core
Surgery – Core
Surgery – Cardiothoracic Surgery
Surgery – Colon and Rectal Surgery
Surgery – Plastic Surgery
Surgery – Plastic Surgery/Hand
Surgery – Critical Care
Urology

The following shall constitute University Training Programs, to be conducted in whole or in part at Primary County Facilities:

Anesthesiology – Pain Management
Dentistry
Family Medicine
Internal Medicine – Clinical Cardiac Electrophysiology
Internal Medicine – Interventional Cardiology
Nuclear Medicine
Pharmacy
Radiology – Neuroradiology
Radiology – Vascular/Interventional Radiology
Surgery – Vascular

EXHIBIT 2

Northeast Cluster

Purchased Services are provided under this Agreement in the following locations:

The Los Angeles County + University of Southern California Medical Center

El Monte Comprehensive Health Center

Edward R. Roybal Comprehensive Health Center

H. Claude Hudson Comprehensive Health Center

Juvenile Court Health Services

Rancho Los Amigos National Rehabilitation Center

Ingleside Hospital

(as to Los Angeles County+University of Southern California Medical
Center leased adult psychiatric inpatient beds only.)

EXHIBIT 3

County Policies and Regulations

Supplementary Guidelines for Discipline of Licensed Medical Professionals
(Appendix A to Employee Evaluation and Discipline Guidelines)

Bylaws and Rules and Regulations of the Medical Staff of the Los Angeles
County + University of Southern California Medical Center

Patient Transfer Policies of the Los Angeles County Department of Health
Services.

Department of Health Services Policy on Supervision of Residents (currently
bearing Policy No. 310.2)

EXHIBIT 4

[THIS EXHIBIT INTENTIONALLY LEFT BLANK.]

EXHIBIT 5

Tenured Faculty Members Subject to Special Indemnification

The following shall comprise the tenure and tenure track Faculty, pursuant to § 11.3.

Jamshid Ahmadi	Clive Roy Taylor
Mohammad Akmal	Fred A. Weaver
Valerie Askanas	Leslie P. Weiner
Charles A. Ballard	Chi-Shing Zee
Robert Barnt, Jr.	
William Bondareff	Frank Xavier Acosta
Stuart D. Boyd	Michael Lawrence Apuzzo
John Neale Briere	Thomas V. Berne
Thomas A. Buchanan	Hyman Bernstein
Parakrama T. Chandrasoma	Paul F. Brenner
Patrick M. Colletti	Vito Michele Campese
Gere S. Dizerega	John Richard Daniels
William King Engel	Uri Elkayam
Donald I. Feinstein	Atsuko Fujimoto
Deborah M. Forrester	Steven L. Giannotta
Parkash Singh Gill	David Aaron Goldstein
James M. Halls	Bruce Gross
L. Julian Haywood	David Horwitz
Robert Israel	Roger Jelliffe
Michael Noel Koss	Cage Saul Johnson
Andrea A.S. Kovacs	Elaine Kaptein
Richard H. Lamb	James Richard Keane
Gary Lieskovsky	Loren A. Laine
Sue Ellen Martin	Robert A. Larsen
Carol Ann Miller	Loren Lipson
Daniel R. Mishell, Jr.	Shaul Massry
Charles Paul Morrow	Paul R. Meyer
Bharat N. Nathwani	Richard J. Paulson
Michael John Patzakis	Francisco Quismorio
Darleen Ruth Powars	D. Randall Radin
Subit Roy	Shahbudin H. Rahimtoola
Robert Keith Rude	Philip W. Ralls
Sidney Russak	Dale Rice
Fred R. Sattler	Hervey David Segall
Lon Schneider	Om P. Sharma
Donna Shoupe	Bijan Siassi
Ira A. Shulman	William Stohl
Michael E. Siegel	Evelyn Lee Teng
Howard Silberman	Martin Harvey Weiss
Donald Skinner	Adina Zeidler
Ronald Edward Smith	

EXHIBIT 6

Physician Time Study (PTS)

A. Physician Time Study Process - Hours

1. University shall conduct Physician Time Studies (PTS) for all physicians for a two week period in the months of November and May of each fiscal year as set forth in County guidelines, as determined by agreement with Hospital's Medicare intermediary. A PTS will be completed by each physician identifying hours by "where worked" location, and by the services provided (i.e., patient care, administration, teaching, etc.).
2. County shall provide University with any changes or modifications to the identification of "where worked" cost centers or services provided at least sixty (60) days prior to the implementation of such change or modification.
3. University shall identify physicians that have not completed a PTS for a period where a PTS is required.
 - a. If services were not provided, University shall determine whether nonproductive hours may be counted for vacation, sick leave, conferences, etc.
 - b. If services were provided, the physician will be required to complete a make-up PTS within thirty (30) days following notice of such requirement.
4. County may sample audit the PTS for all physicians. University shall provide access to all physician PTS after sixty (60) days following the last day of the scheduled PTS. University and County shall work jointly to resolve discrepancies related to the PTS.
5. University shall separately summarize PTS information by Department, "where worked," reasonable compensation equivalent specialty, and services provided for all physicians. University shall provide the study to County in an electronic format, as designed by County no later than sixty (60) days following the last day of the scheduled PTS.
6. University shall extrapolate University physician and non-physician hours (if appropriate) based on PTS. The extrapolated hours will be based on Medicare intermediary requirements.

B. Cost Allocation Process (at least annually) - Compensation and Revenue

1. County shall provide to University the cost and hours for each County employed physician also covered under this Agreement by the first day of August following the close of each County cost reporting period.

2. University shall aggregate County-employed physician compensation and payments for Purchased Services (hereinafter referred to as "aggregate funds expended"), by Department, and generate a report reflecting the allocation of such aggregate funds expended by PTS category based on hours worked in each such category.
3. University shall generate a report allocating aggregate funds expended for physician services based on the format identified in Attachment I, II and III, by the 15th of September or forty-five (45) days after receipt of County physician information from the County (B.1.) following the close of each County cost reporting period.
4. University shall generate a report allocating aggregate funds expended for non-physician services based on the format identified in Attachment IV, by the 15th of September or forty-five (45) days after receipt of County physician information from the County (B.1.) following the close of each cost reporting period.

If any due date falls on a weekend or County observed holiday, the due date will be the first working day following the due date.

LAC+USC Medical Center
Summary Physician Cost/Revenue Allocation by Where Worked
Time Period:

* Individual physician information to be retained by University.

Attachment III to Exhibit 6 Physician Time Study

LAC+USC Medical Center
Summary Physician Cost/Revenue Allocation by
Reasonable Compensation Equivalent (RCE) Specialty
Time Period:

RCE SPECIALTY *	TOTAL COMPENSATION/REVENUE			HOURS BY CATEGORY							COMPENSATION/REVENUE BY CATEGORY						
	County Compensation	University Revenue	Total	Pat Care	Sup I&R	Adm/Sup Others	Teach/Sup AHP	Teaching I&R	Research	Total	Pat Care	Sup I&R	Adm/Sup Others	Teach/Sup AHP	Teaching I&R	Research	Total
Total																	
Gen/Family Practice																	
Internal Medicine																	
Surgery																	
Pediatrics																	
OB/GYN																	
Radiology																	
Psychiatry																	
Anesthesiology																	
Pathology																	

* Individual physician information to be retained by University.

**LAC+USC Medical Center
Summary Non-Physician Revenue Allocation
Time Period:**

[illegible]

* Individual information to be retained by University.

EXHIBIT 7

Retention of Records Under This Agreement

1. General ledger accounts related to this Agreement, including subsidiary ledgers and supporting documentation as required under Generally Accepted Accounting Principles.
2. University Annual Financial Report.
3. Individual Physician Time Studies (PTS) in the form required by the Medicare fiscal intermediary.
4. Any executed contracts for University Personnel providing services under this Agreement.
5. Attending physician assignment schedules as made by the department chairs.
6. University's Internal Indirect Cost Allocation.
7. If this Agreement is audited by Federal or County auditors, copies of all documents provided to such auditors, except for documents protected by attorney-client or attorney work product privileges.

USC ADDENDUM A
Purchased Services

Contract Year Ending June 30, 2007

- A.1 General.** Payment for Purchased Services will be made by County to University in the amounts set forth in Section A.3 below. Payment for Purchased Services shall be made in quarterly installments, each payable on the first business day of each Contract Year quarter. In addition, if County requests increases in the volume of any Purchased Services identified in this Addendum A, County will pay for such services in advance on a quarterly basis. University is not obligated to provide such supplemental services until University receives payment from County for those services. Any new services which the Parties agree to commence during the Contract Year, of a nature not set forth in this Addendum A, will be provided pursuant to an amendment or separate agreement between the Parties, subject to the approval of the Governing Board; such new services will be taken into account in revising Addendum A for the next Contract Year. Any revisions to this Addendum A shall not take effect without a properly executed amendment.
- A.2 Purchased Services.** University shall provide the following Purchased Services during the contract year ending June 30, 2007 ("Contract Year 2007"). The type and volume of Purchased Services provided during Contract Year 2007 shall continue at the same overall level, on an annualized University Personnel FTE basis, as provided by University Personnel during the prior Contract Year, with the addition of those services itemized in §A.2.4.1, which the Parties have agreed to add.
- A.2.1 Clinical Services. Except for those services which may be provided by persons other than University Personnel, University shall provide those clinical services sufficient to address the goals and responsibilities set forth in §5.4.
- A.2.2 Non-Clinical Academic and Administrative Services. Except as provided by persons other than University Personnel, University shall provide academic and management services sufficient to address the goals and responsibilities set forth in §§ 5.3 and 5.5, respectively.
- A.2.3 Research. The Parties understand and agree that no funds paid under this Agreement shall be used to pay for non-clinical research. If it is determined that any funds are used to pay for non-clinical research, University shall reimburse County such amount.
- A.2.4 Volume of Purchased Services. Until measures are developed to more accurately define the volume of Purchased Services; the Parties agree that the volume of all services will be measured on the basis of full time equivalents (FTEs) for physicians and other University Personnel.

A.2.4.1 *Period Ending 06/30/06 and 6/30/07.* University shall provide no fewer than the number of FTE's below for the Contract Periods ending June 30, 2006 and June 30, 2007.

	Contract Year <u>2006</u>	Contract Year <u>2007</u>
<u>Current Physician and Dental FTEs*</u>	445.7	445.7
<u>CRNAs</u>	13	13
<u>New Physician FTEs</u>		
Medicine		10*
Surgery - Otolaryngology		1*
Emergency Medicine	5	5
<u>Internal Medicine</u>		<u>3*</u>
<u>Total Physician/Dentist/ CRNAs FTEs</u>	463.7	477.7
<u>Non-Physician FTEs</u>	74.75	74.75

*The number of new physician FTE's will be prorated to the effective date of this agreement. The number of FTEs listed represents a total that includes the work of 67 direct County-paid physicians who may also receive a stipend from the University and 13 County paid CRNAs.

A.2.4.2 *Allocation of FTEs.* The allocation of University Personnel FTEs among Departments may be changed upon written agreement of the Chief Medical Officer, CEO and University Representative that such reallocation optimizes the use of personnel in the performance of this Agreement.

A.2.4.3 *Attrition of County-Employed Physicians.* Upon attrition of a County-employed physician in Primary County Facilities, Director may 1) hire a replacement or 2) direct University, for the remainder of the Contract Year to provide the services previously provided by such County physician through University-employed physicians, which shall constitute additional Purchased Services under this Agreement for which University shall be compensated.

A.3 Payment for Purchased Services. County shall compensate University as follows:

	<u>Contract Year</u> 2006	<u>Contract Year</u> 2007(prorated)	<u>Full Year Amount</u>
Contract Amount (2005-06 base amount)	\$ 73,076,000	\$ 73,076,000	\$73,076,000
Additional Services to be purchased in Contract Year 2006, prorated for Contract Year 2007 and annualized thereafter (see third column)			
Services to cover for departure or retirement of DHS employed Physicians/non-physician at LAC+USC Medical Center		\$ 485,840	\$ 530,000
Increase in Fringe Benefit Rate from 30% to 32 %		\$ 880,070	\$ 960,067
2.5% cost of living adjustment		\$ 1,674,660	\$ 1,826,900
Teaching Hospitalists (10 FTEs including 1 FTE Director ICU/Hospitalist)		\$ 1,833,340	\$ 2,000,000
ACGME required core and subspecialty Internal Medicine Program Directors and Associate Program Directors (3 FTEs)		\$ 458,340	\$ 500,000
ACGME required Otolaryngology (1 FTE)		\$ 242,000	\$ 264,000
ACGME required Emergency Room Physicians (5 FTEs)	\$ 990,000	\$ 990,000	\$ 990,000
Director of Quality Management Stipend	\$ 80,000	\$ 80,000	\$ 80,000
Management Performance Plan Fund	\$	\$ 1,000,000	\$ 1,000,000
Faculty Teaching Incentive Fund	\$	\$ 22,910	\$ 25,000
Total Additional Services	\$ 1,070,000	\$ 7,667,160	\$ 8,175,967
Less Reduced Purchased Services from Contract Year 2006 and from Contract Year 2007 to reflect exclusion of Employee Health Services	\$ 375,000	\$ 500,000	\$ 500,000

Contract Maximum Amount	\$73,771,000	\$80,243,160	\$80,751,967

- A.4 Volume of Purchased Services.** The Parties agree to jointly develop a consolidated data reporting system to capture fully and accurately the inpatient and outpatient clinical Purchased Services. In addition, the parties agree to work together to develop new methodologies for measuring and valuing information captured by this data reporting system.

In parallel with the development of such a system, University shall continue to provide the County the following information: prospective clinical, administrative, and teaching schedules, with names attached, provided on a monthly basis; FTE allocations and blinded itemized lists of physician salaries paid through the Agreement, provided on an annual basis. For purposes of the blinded salary information, all departments with 10 or fewer physicians may be submitted in aggregate form. University shall continue to provide this documentation until such time as mutually agreed by the Parties. Services provided to County by University during the year ended June 30, 2007, shall be measured using information provided by University in this § A.4.

A.4.1 IDX Implementation.

In order to develop an information system to measure and support the provision of clinical Purchased Services, University and County shall make best efforts to implement the following information software system (hereinafter “IDX System”) in accordance with the productivity goals set forth below.

1. The Parties agree to the goals of installing IDX System capability for targeted inpatient physician practice sites at Hospital. Subject to such installation, attending Faculty in such practice sites shall enter data from patient encounter forms into IDX System, and University shall submit sample IDX System reports to County.
2. The Parties agree to the goal of building an interface between the IDX System and LAC Affinity Information System to support future service volumes submitted by all Hospital inpatient Departments.
3. The Parties agree to the goal of achieving IDX on-line capability for all Hospital inpatient and outpatient physician practice sites.

In order to facilitate the achievement of these goals, the Parties agree that County shall provide University with the following assistance:

1. Within 30 days of the execution of this Agreement the County will provide designated PCs at all physician practice sites with web-enabled access and access to IDX if required.
2. Assistance with building interface between IDX System and LAC Affinity Information System, which would allow completion within 30 days of execution of this Agreement.
3. Assistance with building interfaces between IDX and current and replacement Hospital surgery systems, which would allow completion within 30 days of execution of this Agreement.

4. Assistance with meeting HIPAA security standards, consistent with legal and regulatory requirements.
5. The LAC+USC CIO has been appointed as the County IDX Liaison Officer who will be responsible for coordinating day-to-day assistance from County to University to implement the IDX System at Hospital.
6. By October 1, 2006, assistance with developing and approving design of IDX reports.

A.4.1.2. *Oversight and Evaluation of IDX System Data.* The Facility JPO Committee shall facilitate coordinated planning and provide joint recommendations regarding the full implementation and use of the service information captured by the IDX System. In addition, the Committee shall jointly develop recommendations as to the appropriate use of service data collected by the IDX System, the appropriate use of available IDX reporting systems, methodologies for evaluating the scope of services captured by the IDX System, and recommendations for methodologies for County to reimburse University for clinical services provided by Faculty in accordance with Association of American Medical Colleges ("AAMC") equivalent salaries in future contract years.

A.4.2. *Academic Purchased Services.* During the term of this Agreement, Academic Purchased Services will be performed by Faculty in accordance with the requirements of this Agreement. The parties agree during Contract Year 2007 to work together to develop a new methodology for determining payments for the provision of Academic Purchased Services under this Agreement.

A.4.3. *Academic and Clinical Administrative Purchased Services.* During the term of this Agreement, University shall provide Academic and Clinical Administrative Purchased Services as needed to support the Training Programs in accordance with the requirements of this Agreement. The Parties agree during Contract Year 2007 to work together to develop a new methodology for determining payments for the provision of University Academic and Clinical Administrative Purchased Services under this Agreement.

A.4.4. *Mission Support.* County is committed to promoting medical education in its community, as reflected through County's affiliation with University and County's participation in graduate medical education training programs accredited by the Accreditation Council for Graduate Medical Education. The Parties agree during Contract Year 2007 to work together to develop a methodology for providing mission support to University.

A.5 Community-Based Health Services Planning. University agrees to participate in the County's community based planning efforts. These planning efforts include but are not limited to: resizing the breadth and depth of primary and specialty care programs to meet local community needs, disease burden and public health initiatives; resizing the breadth and depth of tertiary and quaternary services to fit effectively within system-wide DHS clinical programs; expansion of outpatient diagnostic and therapeutic programs at Hospital and other community-based sites; sizing ACGME, ADA and other allied health programs in concert with service delivery planning; and developing, implementing and reporting evaluation metrics for the quality and efficiency of the service delivery program.

- A.6 Replacement Hospital Transition Planning.** County agrees to participate with the University to maximize collaborative planning for the transition to the Hospital replacement facility in 2007/08. Through such planning, County agrees to provide adequate office space, on-call rooms, and other support space for University administration, clinical service, and teaching in the Hospital replacement facility.

County also agrees to make all reasonable efforts to ensure the continuing viability of University Training Programs in the Hospital replacement facility. Pursuant to section 2.6.1 of this Agreement, University will notify County of any matters within the control of County in transitioning to the Hospital replacement facility that to the University's knowledge may compromise accreditation of any University Training Program. In the event County receives such notice, County will cooperate with University to make all reasonable efforts to retain accreditation.

- A.7 Faculty Teaching Incentive Fund.** Facility JPO Committee will establish annual awards for excellence in teaching to be awarded to Faculty. Faculty awardees and the amount of the awards will be determined by the Facility JPO based on written criteria to be jointly developed by University and County. In developing written criteria, University and County shall include resident and medical student participation as necessary criteria. Parties agree to equally finance this Incentive Fund, with each party contributing \$25,000 annually. The amount was prorated for CY 2006-07.

- A. 8 Primary County Facilities.** Those facilities listed in Exhibit 2 shall constitute the Primary County Facilities where Purchased Services may be performed.

ADDENDUM B

Performance and Productivity Standard Development

PERFORMANCE AND PRODUCTIVITY

B.1. OVERVIEW

University shall participate with County to monitor and evaluate University's performance and productivity under this Agreement. In the spirit of cooperation and partnership, University and County will continue to pursue their joint goal of achieving and maintaining a high level of clinical and academic excellence among faculty and residents. To accomplish this goal, University and County representatives will communicate their ideas and recommendations at the appropriate committees and meetings where education and patient care are discussed. The parties agree that achievement of this goal is an evolving process and both parties will work together to continuously refine performance measures and the process for ensuring accountability.

B.2. EDUCATION

B.2.1. System Joint Planning and Operations Committee

To assure timely communication between University and County regarding academic matters, the parties agree to address key academic issues during regular meetings of the system Joint Planning and Operations Committee as outlined in Section 9.3 "System JPO Committee Responsibilities."

B.2.2. Educational Performance Indicators

Residency program educational performance shall be monitored in accordance with guidelines and standards set by the Accreditation Council for Graduate Medical Education ("ACGME"), specialty certification boards, and subspecialty certification boards. Faculty supervisory performance shall be monitored in accordance with the guidelines set by the applicable accrediting bodies and the terms and conditions of this Agreement.

To meet residency program education performance monitoring requirements under this Agreement, the University shall submit the following reports to the Medical Executive Committee for review and approval prior to submission to the County Governing Body:

1. Quarterly ACGME Accreditation Status for all residency programs.
2. Quarterly ACGME Accreditation Cycle Length for all residency programs.

3. Quarterly Internal Review Schedule for all residency programs and actual dates of review during the reporting period.
4. Semi-Annual report to identify the ACGME status of residency programs ("Semi-Annual Status Report"). The information to be included in this Semi-Annual Status Report will include the information described in Table B.2. below and is intended to identify any ACGME programs that have received formal accreditation letters with citations, concerns, or comments.

TABLE B.2

REPORTING REQUIREMENTS	SPECIALTY/SUBSPECIALTY
Is the following issue cited or commented on in any ACGME accreditation letter?	List specialties or subspecialties referenced in letters from ACGME
1. Inadequate Institutional support for program or oversight Issues	
2. Inadequate financial support for program	
3. Lack of faculty, number or qualifications (educational resources)	
4. Heavy service component or service-oriented citations	
5. Inadequate scholarly activity (either faculty or residents)	
6. Resident supervision citations or concerns	
7. Resident duty hour or on-call citations or concerns	
8. ACGME six general competencies	
9. Resident, faculty, program evaluation citations	
10. Internal review citations	
11. Resident eligibility, selection citations	
12. Food services or on-call room citations	
13. Resident agreement or contract issues	
14. Patient support services, IVs, labs., personnel, etc.	
15. Medical records, retrieval problems	
16. Security problems in any location in institution or grounds	
17. Board certification passing rate	
18. Resident in-service exam scores	
19. Program Director protected time for educational and administrative responsibilities to the program	

5. Semi-Annual Corrective Action Plan for programs identified in Semi-Annual Status Report as having received accreditation letters with citations, concerns, or comments.

6. Annual Institutional GMEC Report ("Annual Report"). The Annual Report shall include information regarding the following: resident supervision; resident evaluation; resident responsibilities; resident compliance with duty hour standards; and, results of the most recent National Residents Matching Program ("NRMP") match. The Annual Report will also include total County Housestaff numbers by specialty and subspecialty including the number of County Housestaff approved by the accrediting body, and an accurate and complete listing of non-county facilities that accommodate resident rotations and the annualized number of residents that rotated.
7. The University shall notify County within two (2) business days of when the University receives notice that any program has a final accreditation status from the ACGME of "Probationary Accreditation".
8. The University shall promptly notify County in the event that any program receives a commendation from the ACGME. University and County agree to recognize this commendation in writing to the Program Director and to the Department Chairperson, and to jointly provide any other incentives agreed upon by the parties.

B.2.3. Performance Guarantees

The University agrees that County requires the reports listed in this section B.2 to monitor the ongoing performance and quality of residency program education. To cooperate with County, University agrees to compensate County according to the following schedule for each failure of University to provide certain required reports:

1. University will compensate County \$3,000.00 for each quarterly Internal Review Schedules not timely submitted to County within sixty (60) calendar days of the end of each Contract Year quarter.
2. University will compensate County \$2,000.00 for each of the following reports not submitted to County within sixty (60) calendar days of the end of each Contract Year quarter: (i) Quarterly ACGME Accreditation Status for all residency programs; and (ii) Quarterly ACGME Accreditation Cycle Length for all residency programs. University will compensate County \$2,000.00 for each of the following reports not submitted to County within sixty (60) calendar days of the end of two consecutive quarters (i) Semi-Annual Status Report.
3. University will compensate County \$5,000.00 for each Annual Report (see B.2.2.6) not submitted to County by September 30 following the end of a Contract Year.

B.2.4. Confidentiality

University and County agree that all residency program information shall be maintained according to ACGME Institutional Common Program Requirements and Specialty and Subspecialty requirements. University and County agree that all applicable laws relating to confidentiality and peer review protect GMEC minutes, GMEC Internal Reviews (not including schedules and/ or Review dates), GME Semi-Annual Status Reports and/ or any Corrective Action Plans and ACGME correspondence pertaining to program citations and concerns. County agrees that the Governing Body will restrict its review of the above listed documents provided by the University pursuant to this Agreement to County Governing Body meetings held in Executive Session, to the extent such restriction is permitted by law.

This restriction shall not apply to all other documentation provided by University pursuant to this Agreement, including but not limited to the GME Annual Report, Quarterly ACGME Accreditation Status for all programs, Quarterly ACGME Accreditation Cycle Lengths for all programs, notifications of commendations and all ACGME correspondence that does not pertain to citations and/or concerns.

B. 3. PATIENT CARE PERFORMANCE IMPROVEMENTS

University and County shall jointly monitor performance and productivity measures for patient care and propose recommendations for performance improvement. The DHS has established a DHS Performance Management Development Team to propose recommendations for clinical and administrative performance measures. The DHS Performance Management Development Team meets monthly to identify performance measures in key clinical categories. Its findings are reported quarterly to the DHS Director and DHS Health Leadership Board. At County's request, University agrees to attend and participate at all these meetings.

B.3.1. Performance and Productivity Measures

Performance and productivity measures identified by County and University for patient care shall include, but are not limited to, the following:

- (1) Compliance with DHS policy and ACGME requirements for the supervision of County Housestaff and compliance with direct supervision as required for operative procedures;
- (2) Compliance with patient care duties required by DHS policies and procedures including, but not limited to, physician attendance, communication of information, and completion of patient satisfaction surveys;

- (3) Physician signatures and documentation of clinical procedures on medical records and appropriate forms as required by DHS policies and procedures;
- (4) Compliance with clinical pathways and practice guidelines including those developed and/or adopted by the County and University;
- (5) Attending Physician conformance with the documentation requirements for IDX implementation set forth in Section A.4.1.1 of this Agreement;
- (6) Attendance and Participation at Medical Staff Committees (Network Quality Improvement Committee, Risk Management Committee, UR/Case Management Committee, etc.);
- (7) Completion of Medical Records by Departments as measured by the JCAHO Threshold (documentation such as resident supervision, clinical documentation, operating room reports, etc.).

B.3.2. Hospital Performance Goals

University and County agree to cooperate to achieve certain utilization and other performance goals at Hospital in order to transition, after July 1, 2007, to a new acute care facility intended to function as a replacement facility for Hospital. To assist with such transition, University agrees that County requires the achievement of the following "Hospital Performance Goals": (i) reduction of the average daily length of stay (ALOS) at Hospital to 5.5 days or less, on or before July 1, 2007; (ii) achievement of budgeting and staffing for Hospital admissions volume of not less than 40,000 patients through July 1, 2007; and, (iii) achievement of a median non-psychiatric Hospital Emergency Department boarding time of less than seven (7) hours, on or before July 1, 2007. For purposes of this Agreement, the ALOS and Hospital admissions shall include short stay patients and "boarding time" is defined as the time period beginning when a member of Faculty writes an order admitting a patient to Hospital until the time the patient reaches the Hospital's inpatient unit.

To achieve the Hospital Performance Goals, University and County agree to cooperate to reduce inpatient days at Hospital by 10,000 days for Contract Year 2007 and Contract Year 2008 based on a Hospital admissions level of 40,000 patients during Contract Year 2007 and Contract Year 2008, as measured relative to the actual number of inpatient days at Hospital during Contract Year 2005 (the "Hospital 2007/2008 Performance Target"). County and University acknowledge that the contemplated reduction in inpatient days is critical to the achievement of the Hospital Performance Goals, and that such reduction cannot be accomplished without the joint efforts of the Parties. University and County agree that to reduce Hospital inpatient days by 10,000 days during Contract Year 2007 and Contract Year 2008, Hospital must (i) achieve efficient operating room

utilization; (ii) provide adequate imaging services; and, (iii) provide adequate case management support. University and County agree to work with the Facility JPO Committee to monitor Hospital's performance in these areas.

The Parties agree that University's obligation to achieve the Hospital Performance Goals during Contract Year 2008 is contingent on County's approval of a Contract budget for Contract Year 2008 that is no less than the total annual Contract budget for Contract Year 2007.

To cooperate with County, University agrees to compensate County for any failure of Hospital to achieve the Hospital 2007/2008 Performance Target during Contract Year 2007 and Contract Year 2008 that is attributable solely to acts or omissions of University with respect to its obligations under this Contract, if County has satisfied all of its obligations under the Contract, in an amount equal to five percent (5%) of the Contract Maximum Amount for Contract Year 2007 (\$4,012,158) set forth under Section A.5 of Addendum A, or (\$80,243,160). There shall be no reduction in Purchased Services as a result of this compensation.

To the extent there is a dispute as to whether University or County has complied with the terms of this Section B.3.2, the Parties hereby agree to submit any claim or dispute arising out of or relating to the terms of this Section B.3.2 to arbitration by a single neutral arbitrator in Los Angeles, California. Subject to the terms of this paragraph, the arbitration proceedings shall be governed by the then-current commercial arbitration rules and procedures of JAMS. The arbitrator shall be retained through JAMS and shall be mutually agreed to by the Parties hereto. The arbitration proceedings and its results shall remain confidential to the extent permitted by law including those laws governing the County as a public agency. The decision of the arbitrator shall be final and binding on all Parties to this Agreement. The Parties agree that County may not collect the Penalty from University unless and until the arbitrator renders a final decision finding that the failure to achieve the Performance Targets is attributable solely to acts or omissions of University.

B.3.3 Service Chief Management Performance Plan (MPP) for Improved Utilization Performance

County will develop a program (the "Management Performance Plan" or "MPP") that provides financial incentives to University's Service Chiefs and Program Medical Service Directors to encourage improvements in Hospital utilization performance and clinical quality performance. Clinical performance goals for the MPP including, but not limited to, service appropriate performance targets, and criteria for incentive fund awards, will be jointly developed and agreed to by University and County in consultation with the Facility JPO. County will finance the MPP Fund through an initial contribution in Contract Year 2007 of \$1,000,000 to a separate account established for such purpose. Any

contributions in future Contract Years will be subject to negotiation and will be set forth in Addendum A. MPP financial incentive awards shall be made available to University for distribution to an awardee in accordance with University compensation guidelines, at the end of each Contract Year quarter, based on a determination by the CEO and the Dean and approved by Director, after consultation with the Facility JPO Committee, that the recipient is entitled thereto based on the amount allocated, actual awards may total less than this maximum amount.

B. 3.4. ACCOUNTING FOR PHYSICIAN STAFFING LEVELS, COMPENSATION AND USE OF AGREEMENT FUNDS

County and University shall maintain sufficient records to evaluate whether University is being compensated in accordance with the terms of this Agreement.

University and Hospital procedures established to track Faculty and County Housestaff staffing levels and Faculty compensation include but are not limited to the following:

- (1) By no later than August 15 following the end of each Contract Year, University shall provide a written annual report depicting physician compensation paid through this Agreement, with individual physician names redacted ("Physician Compensation Report"). University will compensate County \$5,000.00 if the required Physician Compensation Report is not submitted by August 15 of a Contract Year.
- (2) If the CEO so requests, the Dean and University Representative will meet with the CEO to view non-redacted annual Faculty compensation reports reflecting the allocation of the aggregate compensation paid to University pursuant to Section A.5 to the funding of University Faculty compensation on an individual basis. Such sensitive personnel information shall not be taken from the premises or further disclosed by the CEO or Director. This Section B.3.4.2 does not require University to provide County with copies of Faculty employment or professional services agreements, and shall not be interpreted to otherwise affect the rights and obligations of the Parties existing under this Agreement. The purpose of such review is to facilitate discussions between the parties with respect to programmatic needs, resource allocation and anticipated evolution in the nature and intensity of Purchased Services. County further acknowledges and agrees that the information shared with the CEO and Director pursuant to this Section B.3.4.2 is not relevant to a determination of the volume of Purchased Services furnished by University under this Agreement, and shall not form the basis for an allegation that the volume of Purchased Services required under this Agreement was not provided by University. The Parties affirm that the volume of such Purchased Services shall be measured, on an aggregated basis, solely as set forth in Section A.3.

- (3) Quarterly, County shall provide University with County compensation for County physicians who are dually employed by County and University.
- (4) University shall provide an accurate written annual report that records the number of FTE physicians and other staff providing services under the Agreement.

B.4. COMMUNICATION AND INFORMATION SHARING

University shall participate with County in the periodic review of facilities where Purchased Services are provided. University and County will jointly develop plans of correction for these facilities in accordance with ACGME guidelines and standards. Areas of concern and/or deficiency will be reported and addressed through the local and system governing structures as required by ACGME and County policies. These governing structures include the Hospital Graduate Medical Education Committee (GMEC), the Hospital and System JPO Committee, and the Hospital Governing Body. Minutes of Hospital Governing Body meetings will reflect reports regarding the resolution of issues.



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
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August 25, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley *Handwritten signature: J. Tyler McCauley*
Auditor-Controller

SUBJECT: **AGENDA ITEM 29, AUGUST 29, 2006 – REVIEW OF PROPOSITION A
COST ANALYSIS FOR LAC+USC MEDICAL CENTER AFFILIATION
AGREEMENT WITH USC**

Item 29 on your Board's Agenda for August 29, 2006, is a request from the Department of Health Services (DHS) to approve a new affiliation agreement with USC for services at LAC+USC Medical Center. Under the agreement, USC will continue providing medical education (academic) and certain patient care (clinical) services at LAC+USC.

Because the County cannot provide academic services, that portion of the contract is not subject to the requirements of the County's Proposition A (Prop A). However, the portion of the contract related to clinical services is subject to Prop A. We have reviewed and approved the cost analysis prepared by LAC+USC, which indicates that the incremental costs related to clinical services since the last Board-approved agreement are cost-effective. The contract does not include provisions for Cost of Living Adjustments (COLAs) or the Living Wage Ordinance.

Please call if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

JTM:MMO:JLS:MM:AA

c: David E. Janssen, Chief Administrative Officer
Bruce A. Chernof, M.D., Director and Chief Medical Officer, DHS
Lewis Lewis, Director Affiliation Agreements, DHS
Sachi A. Hamai, Executive Officer
Public Information Office
Audit Committee